

**In the Matter of:**

MORTGAGE RESOLUTION SERVICING

VS

JPMORGAN CHASE

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**JOSEPH SMITH**

*February 09, 2017*

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LEGAL | MEDIA | EXPERTS

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

1 UNITED STATES DISTRICT COURT  
2 SOUTHERN DISTRICT OF NEW YORK

3  
4 MORTGAGE RESOLUTION SERVICING, )  
et al., )  
5 )  
Plaintiffs, )  
6 )  
vs. ) Case No.  
7 ) 15-cv-00293-LTS-JCF  
JPMORGAN CHASE, N.A., et al., )  
8 )  
Defendants. )  
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16 VIDEOTAPED DEPOSITION OF JOSEPH A. SMITH, JR.

17 (Taken by Plaintiffs)

18 Raleigh, North Carolina

19 Thursday, February 9th, 2017

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24 Reported in Stenotype by  
Amy A. Brauser, RPR, RMR, CLR  
25 Transcript produced by computer-aided transcription

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
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<p>1 APPEARANCES 2 ON BEHALF OF THE PLAINTIFFS: 3 BRENT TANTILLO, Esquire 4 Tantillo Law PLLC 5 1629 K. Street N.W., Suite 300 6 Washington, D.C. 20006 7 (954) 617-8100 8 btantillo@tantillolaw.com 9 10 (and) 11 ROBERTO L. Di MARCO, Esquire 12 Walker &amp; Di Marco, P.C. 13 350 Main Street 14 First Floor 15 Malden, Massachusetts 02148 16 (781) 322-3700 17 (781) 322-3757 Fax 18 rdimarco@walkerdimarcopc.com 19 (and) 20 MATTHEW D. QUINN, Esquire 21 Law Offices of F. Bryan Brice, Jr. 22 127 W. Hargett Street 23 Suite 600 24 Raleigh, North Carolina 27601 25 (919) 754-1600 (919) 573-4252 matt@attybryanbrace.com</p> <p>ON BEHALF OF THE DEFENDANTS:</p> <p>CHRISTIAN J. PISTILLI, Esquire Covington &amp; Burling, LLP One City Center 850 Tenth Street, NW Washington, D.C. 20001-4956 (202) 662-5342 cpistilli@cov.com</p>	<p>Page 2</p> <p>1 VIDEOTAPED DEPOSITION OF JOSEPH A. SMITH, 2 JR., a witness called on behalf of Plaintiffs, before 3 Amy A. Brauser, Notary Public, in and for the State of 4 North Carolina, at the Law Offices of Poyner Spruill, 5 301 Fayetteville Street, Suite 1900, Raleigh, North 6 Carolina, on Thursday, the 9th day of February, 2017, 7 commencing at 9:31 a.m. 8 * * * * * 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p> <p>Page 4</p>
<p>1 APPEARANCES (con't) 2 ON BEHALF OF THE WITNESS: 3 STEVEN B. EPSTEIN, Esquire 4 Poyner Spruill, LLP 5 301 Fayetteville Street 6 Suite 1900 7 Raleigh, North Carolina 27601 8 (919) 783-2846 9 (919) 783-1075 Fax 10 sepstein@poynerspruill.com 11 12 ALSO PRESENT: 13 Laurence Schneider 14 Dave Severance, Videographer 15 16 17 18 19 20 21 22 23 24 25</p> <p>Page 3</p>	<p>1 INDEX OF EXAMINATIONS 2 By Mr. Tantillo. . . . . Page 8 3 4 INDEX OF EXHIBITS 5 NUMBER DESCRIPTION MARKED/IDENTIFIED 6 Exhibit 1 DOJ/AG National Mortgage 26 7 Settlement Bates 8 JPMC-MRS-00134158 to 163 9 Exhibit 2 National Mortgage Settlement 34 10 Activities; Recovery Update Bates 11 JPMC-MRS-00050891 to 893 12 Exhibit 3 E-mail string Bates 40 13 JPMC-MRS-00368705 to 706 14 Exhibit 4 City of Milwaukee letter of 41 15 July 9, 2014 Bates 16 JPMC-MRS-00159624 to 632 17 Exhibit 5 E-mail string Bates 45 18 JPMC-MRS-00054148 to 150 19 Exhibit 6 DOJ Metric 31 Summary Bates 46 20 JPMC-MRS-00165682 to 711 21 Exhibit 7 REG-X Loan Lien Release Bates 62 22 JPMC-MRS-00314536 23 Exhibit 8 Letter from Patrick Boyle of 75 24 Chase Bates JPMC-MRS-00023726 25 to 727</p> <p>Page 5</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>1 INDEX OF EXHIBITS (con't) Page 6</p> <p>2 Exhibit 9 Letter from Patrick Boyle of 80</p> <p>3 Chase Bates JPMC-MRS-00159554</p> <p>4 to 555</p> <p>5 Exhibit 10 Lien Release Summary Bates 82</p> <p>6 JPMC-MRS-00155435 to 436</p> <p>7 Exhibit 11 E-mail string Bates 84</p> <p>8 JPMC-MRS-00051853</p> <p>9 Exhibit 12 E-mail string Bates 85</p> <p>10 JPMC-MRS-00054148 to 150</p> <p>11 Exhibit 13 E-mail string Bates 96</p> <p>12 JPMC-MRS-00051742 to 746</p> <p>13 Exhibit 14 Exhibit D - Consumer Relief 102</p> <p>14 Requirements</p> <p>15 Exhibit 15 Request for Mortgage 107</p> <p>16 Assistance Form</p> <p>17 Exhibit 16 Lien Release Program Bates 119</p> <p>18 JPMC-MRS-00022205 to 206</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 Defendants.</p> <p>2 MR. EPSTEIN: And I'm Steven Epstein.</p> <p>3 I represent the witness, Joseph A. Smith, Jr.</p> <p>4 THE VIDEOGRAPHER: May I ask the court</p> <p>5 reporter to, please, swear in the witness.</p> <p>6 (WITNESS SWORN)</p> <p>7 THE VIDEOGRAPHER: Thank you.</p> <p>8 You may begin.</p> <p>9 MR. TANTILLO: Thank you.</p> <p>10 JOSEPH A. SMITH, JR.,</p> <p>11 having been first duly sworn to tell the truth, was</p> <p>12 examined and testified as follows:</p> <p>13 EXAMINATION</p> <p>14 BY MR. TANTILLO:</p> <p>15 Q. Mr. Smith, can you, please, state your</p> <p>16 full name for the record?</p> <p>17 A. My name is Joseph Alderson Smith, Jr.</p> <p>18 Q. How old are you, sir?</p> <p>19 A. I am 67 years old.</p> <p>20 Q. Mr. Smith, I'm going to be asking you</p> <p>21 various questions. I want to ask you first, have you</p> <p>22 ever been deposed before?</p> <p>23 A. I have.</p> <p>24 Q. Obviously, if you've been deposed before,</p> <p>25 you certainly know the drill. Obviously, our position</p>
<p>1 PROCEEDINGS Page 7</p> <p>2 THE VIDEOGRAPHER: This begins</p> <p>3 Volume 1, Tape Number 1 of the videotaped</p> <p>4 deposition of Joseph Smith, taken in the matter</p> <p>5 of Morgan Resolution Servicing, et al., versus</p> <p>6 JPMorgan Chase, NA, et al., in the United States</p> <p>7 District Southern -- sorry, in the United States</p> <p>8 Court, Southern District of New York, case</p> <p>9 number 12-CV-00293-LTS-JCF. This deposition is</p> <p>10 being held at Poyner and Spruill, located at 301</p> <p>11 Fayetteville Street, Suite 1900, Raleigh, North</p> <p>12 Carolina 27601, on February 9, 2017 at</p> <p>13 approximately 9:31 a.m.</p> <p>14 My name is Dave Severance with the firm</p> <p>15 of Legal Media Experts. I am the legal video</p> <p>16 specialist. The court reporter with us today,</p> <p>17 also in association with Legal Media Experts, is</p> <p>18 Amy Brauser.</p> <p>19 For the record, may I ask counsel to</p> <p>20 introduce themselves and whom they represent.</p> <p>21 MR. TANTILLO: Good morning, my name is</p> <p>22 Brent Tantillo. I represent Mortgage Resolution</p> <p>23 Servicing, LLC; S&amp;A Capital Partners, Inc.; and</p> <p>24 1st Fidelity Loan Servicing, LLC.</p> <p>25 MR. PISTILLI: Chris Pistilli for</p>	<p>1 is you must answer the -- obviously, each question Page 9</p> <p>2 truthfully unless your attorney tells you clear --</p> <p>3 clearly not to do so. Although, as you know, there's</p> <p>4 no judge present, this is a formal legal proceeding</p> <p>5 just like testifying in court and you're under the</p> <p>6 same legal obligation to tell the truth as if you were</p> <p>7 testifying in court.</p> <p>8 If you do not understand anything I say,</p> <p>9 just ask me to rephrase the question. And before the</p> <p>10 deposition can be used in court, you will have the</p> <p>11 opportunity to amend or correct your statement. Do</p> <p>12 you understand this?</p> <p>13 A. I do.</p> <p>14 Q. Mr. Smith, we have received documentation</p> <p>15 production from your attorney, Mr. Epstein, of Poyner</p> <p>16 Spruill pursuant to our subpoena issued January 10th,</p> <p>17 2017. The documents you have produced are</p> <p>18 communications between your office and Wall Street</p> <p>19 Journal reporter, Emily Glazer, and your production</p> <p>20 regarding consumer complaints. Is that your</p> <p>21 understanding?</p> <p>22 A. Yes.</p> <p>23 Q. Did you communicate with anyone about the</p> <p>24 subpoena you received and your testimony today?</p> <p>25 A. I communicated with my counsel and with my</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Page 10

1 colleagues who I asked to do a document search  
2 necessary to respond to your subpoena.  
3 Q. And who -- what colleagues are you talking  
4 about?  
5 A. Ruth McCree who is a paralegal in the law  
6 firm and Martha Svoboda, S-V-O-B-O-D-A, who is of  
7 counsel in the firm.  
8 Q. Did you review or prepare any documents in  
9 preparation for this deposition?  
10 A. No.  
11 Q. Are you on any medication today that would  
12 impair your testimony?  
13 A. No, I'm not.  
14 Q. What is your education, sir?  
15 A. Well, I'm a graduate of the Kanawha County  
16 public schools in West Virginia, Davidson College, and  
17 the University of Virginia Law School.  
18 Q. And where are you licensed to practice  
19 law?  
20 A. In New York and North Carolina.  
21 Q. And how long have you -- oh, well, excuse  
22 me, where do you currently work?  
23 A. I'm a partner, an income partner I should  
24 say, of Poyner Spruill, LLP, and I'm also president of  
25 Office of Mortgage Settlement Oversight.

Page 11

1 Q. So that's its own separate corporation?  
2 A. It is.  
3 Q. And for how long have worked at Poyner  
4 Spruill?  
5 A. In my most recent employment by the firm,  
6 it was after my -- it was from 2012, right before the  
7 commencement of the National Mortgage Settlement.  
8 Q. And where did you work prior to joining  
9 Poyner Spruill?  
10 A. I was North Carolina Commissioner of  
11 Banks.  
12 Q. Now, for which settlements do you serve as  
13 the monitor?  
14 A. I am monitor under consent judgments,  
15 commonly called the National Mortgage Settlement  
16 currently, with regard to Ocwen Loan Servicing, HSBC,  
17 and SunTrust Banks. Prior, from -- from 2012 until  
18 2015 -- '16, actually, finally was -- I completed my  
19 work on five consent judgments, which ultimately  
20 became six consent judgments, between Bank of --  
21 between Bank of America, Wells Fargo, Chase, Citi, and  
22 originally GMAC which then became Ocwen and Ditech.  
23 Well, became Greentree which then became Ditech.  
24 Those settlements were with 49 states and the United  
25 States of America.

Page 12

1 Q. And those were regarding the National  
2 Mortgage Settlement?  
3 A. They were -- they were mortgage  
4 settlements, yes. They were settlements of mortgage  
5 issues, yes.  
6 Q. Now, is -- was there another settlement  
7 that you were previously a monitor for relating to  
8 residential mortgage-backed securities?  
9 A. Yes, I was monitor of the settlement  
10 between the United States Department of Justice and  
11 several states and JPMorgan Chase regarding  
12 residential mortgage-backed securities.  
13 Q. How were you chosen to become the monitor  
14 of these settlements?  
15 A. I was agreed to -- in the case of the --  
16 in the case of the judgments commonly called the  
17 National Mortgage Settlement, I was agreed to by the  
18 parties.  
19 Q. Was there like an application process?  
20 A. No.  
21 Q. You were just recommended?  
22 A. I have no idea what happened. I -- I  
23 don't. I was -- I was -- I was -- I received a  
24 request -- a request for an indication of interest  
25 and -- from the then Attorney General of North

Page 13

1 Carolina, and having said yes, I was then -- had  
2 discussions with the governments and with the  
3 servicers and was chosen.  
4 Q. What day did you start as monitor for the  
5 National Mortgage Settlement?  
6 A. April 4th -- well, the -- the judgments  
7 were filed April 4th and 5th of 2012.  
8 Q. And what day did you start as the monitor  
9 of the residential mortgage-backed security  
10 settlement?  
11 A. I honestly don't remember the date of that  
12 settlement.  
13 Q. How much was the total budget for the  
14 monitor for the National Mortgage Settlement?  
15 A. It varied over time. As it got -- in  
16 recent -- during the time when the five original  
17 consent judgments were ongoing, it was about  
18 \$70 million a year. And in recent times, it is --  
19 because there are fewer judgments now, it is a smaller  
20 budget. It is still, in the last year, the year  
21 just -- and we're on fiscal years ending June 30, it  
22 was just under 60 million and it will go down from  
23 there.  
24 Q. Now, who pays this particular fee for  
25 the -- I guess, for the monitoring of these

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 14</p> <p>1 settlements?</p> <p>2 A. The settlement -- the consent judgments</p> <p>3 for -- that comprise a settlement each require the</p> <p>4 adoption of a budget which has to be reviewed and</p> <p>5 approved. It has to be agreed to with the servicers</p> <p>6 and then reviewed and approved by a monitoring</p> <p>7 committee comprised of representatives of state and</p> <p>8 federal governments and -- so that's -- that's how it</p> <p>9 was -- was always done.</p> <p>10 Q. Now, do the banks pay for part of this --</p> <p>11 A. They paid the entire --</p> <p>12 Q. -- monitoring?</p> <p>13 A. -- they paid the -- they paid assessments</p> <p>14 under the budget.</p> <p>15 Q. And are you aware of the amount that</p> <p>16 JPMorgan Chase paid towards these budgets?</p> <p>17 A. I don't remember.</p> <p>18 Q. Now, how much were you personally</p> <p>19 compensated to be the monitor of these settlements?</p> <p>20 A. In the first year, it was around \$350,000</p> <p>21 and the subsequent years it was 650,000 per year.</p> <p>22 Q. And was that the same for the NMS and the</p> <p>23 RMBS settlements?</p> <p>24 A. No, um, no.</p> <p>25 Q. So the RMBS settlement, how much was --</p>	<p style="text-align: right;">Page 16</p> <p>1 And I think that's it.</p> <p>2 Q. Who are your primary contacts at BDO?</p> <p>3 A. Anthony Lendez was the engagement partner</p> <p>4 at BDO.</p> <p>5 Q. And how do spell his last name, do you</p> <p>6 know?</p> <p>7 A. L-E-N -- yes, I do. L-E-N-D-E-Z.</p> <p>8 Q. Who are your primary contacts at Grant</p> <p>9 Thornton?</p> <p>10 A. Oh, gosh, senior moment. Well, Dave</p> <p>11 Wedding is the chairman of Grant Thornton, but he was</p> <p>12 not my primary contact. I forget Aaron's last name,</p> <p>13 but I can -- I will correct it in my -- if allowed.</p> <p>14 Q. Who served as the outside counsel for</p> <p>15 OMSO?</p> <p>16 A. Poyner Spruill, LLP and Smith Moore</p> <p>17 Leatherwood.</p> <p>18 Q. And who were the primary individuals at</p> <p>19 Poyner Spruill that were handling your representation?</p> <p>20 MR. EPSTEIN: During what period of</p> <p>21 time are you referencing?</p> <p>22 MR. TANTILLO: From, I guess, the</p> <p>23 period of the settlement, 2012 until '14 or '15.</p> <p>24 THE WITNESS: The primary lawyers --</p> <p>25 lawyer at Poyner Spruill, LLP was William S.</p>
<p style="text-align: right;">Page 15</p> <p>1 what's the budget for that and how much were you</p> <p>2 compensated?</p> <p>3 A. I don't remember exactly. I had a fee of</p> <p>4 200,000 per year of -- of work in that settlement.</p> <p>5 Q. Now, who were the third-party contractors</p> <p>6 and attorneys used by the Offices of the Monitor?</p> <p>7 A. I retained -- well, first, let me point</p> <p>8 out, I created the Office of Mortgage Settlement</p> <p>9 Oversight, Inc., which is a not-for-profit corporation</p> <p>10 through which I contracted with -- Poyner Spruill, LLP</p> <p>11 was a counsel -- one of my counsels. Smith Moore</p> <p>12 Leatherwood, which is another North Carolina firm, was</p> <p>13 another of my counsel. I then had -- I then -- OMSO</p> <p>14 contracted with six accounting firms, although they</p> <p>15 now call themselves professional services firms.</p> <p>16 Q. Right.</p> <p>17 A. One primary professional services firm</p> <p>18 which was BDO USA, which is a subsidiary of BDO</p> <p>19 Worldwide, I guess. That was the -- the primary firm.</p> <p>20 Then -- and that -- and then with Grant Thornton, Crow</p> <p>21 Horwath, Baker Tilly, and there -- there are longer</p> <p>22 strings of names that's on each of these firms, but</p> <p>23 there are -- there were six in all. RS -- what's now</p> <p>24 called RSM used to be called McGladrey. B -- BKD</p> <p>25 which is a large accounting firm from the midwest.</p>	<p style="text-align: right;">Page 17</p> <p>1 Cherry, Jr. There were a number of other</p> <p>2 lawyers from that firm who were engaged,</p> <p>3 involved.</p> <p>4 BY MR. TANTILLO:</p> <p>5 Q. Was -- you mentioned her name, Martha</p> <p>6 Svoboda, is that --</p> <p>7 A. Yes.</p> <p>8 Q. Was she also involved?</p> <p>9 A. Oh, yes, yes.</p> <p>10 Q. What about Scott Stein, was he also</p> <p>11 involved at some point?</p> <p>12 MR. EPSTEIN: You mean Josh Stein?</p> <p>13 BY MR. TANTILLO:</p> <p>14 Q. Excuse me, Josh Stein.</p> <p>15 A. Josh Stein was the primary lawyer or</p> <p>16 contact with Smith Moore Leatherwood, LLP which is a</p> <p>17 different law firm.</p> <p>18 Q. And what was the difference between what</p> <p>19 Smith Moore Leatherwood would do for OMSO versus</p> <p>20 Poyner Spruill?</p> <p>21 A. They both were part of a management group</p> <p>22 which helped me interpret the settlement documents and</p> <p>23 implement the settlement, so there was no -- there's</p> <p>24 no distinction of the kind of things they did.</p> <p>25 Q. Did you receive partnership compensation</p>



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 18</p> <p>1 as a result of hiring Poyner Spruill for OMSO?</p> <p>2 A. No. I'm an income partner.</p> <p>3 Q. Was there any other compensation or</p> <p>4 referral fees?</p> <p>5 A. No.</p> <p>6 Q. Did the National Mortgage Settlement place</p> <p>7 a bar on you for not being retained by any party to</p> <p>8 settlement for a period of two years after the</p> <p>9 conclusion of the terms of the engagement?</p> <p>10 A. Yes.</p> <p>11 Q. Was Poyner Spruill or other professionals</p> <p>12 barred as well from serving for one year?</p> <p>13 A. Yes, although it's -- it's a more limited</p> <p>14 limitation than that, but yeah, and that year has</p> <p>15 passed, by the way.</p> <p>16 Q. If that's so, how are you able to be</p> <p>17 retained as the monitor of the -- of the RMBS</p> <p>18 settlement?</p> <p>19 A. It was the same -- it was not viewed by</p> <p>20 the parties of that settlement as being retention by</p> <p>21 Chase. Chase -- it's -- it's the same -- it was</p> <p>22 exactly the same kind of work that we did in the NMS,</p> <p>23 and so it was -- I was -- I was -- I was retained by</p> <p>24 agreement between the Justice Department and Chase and</p> <p>25 compensated by Chase, but I was -- I was to be</p>	<p style="text-align: right;">Page 20</p> <p>1 A. Yes, although I met with that committee</p> <p>2 weekly to start and then biweekly for the entire</p> <p>3 period of the settlement.</p> <p>4 Q. Now, did the Monitor Committee change as</p> <p>5 people would leave government or not?</p> <p>6 A. Yes.</p> <p>7 Q. Do you remember any particular changes</p> <p>8 that occurred?</p> <p>9 A. No.</p> <p>10 MR. EPSTEIN: Objection to form.</p> <p>11 THE WITNESS: No. Yeah, no.</p> <p>12 BY MR. TANTILLO:</p> <p>13 Q. Was there a Monitoring Committee for the</p> <p>14 RMBS settlement?</p> <p>15 A. No.</p> <p>16 Q. Did you or your office participate in any</p> <p>17 cross servicer meetings?</p> <p>18 A. We had meetings with the servicers as a</p> <p>19 group.</p> <p>20 Q. So the meetings would be all the people</p> <p>21 involved in the National Mortgage Settlement together?</p> <p>22 A. Yes.</p> <p>23 Q. Who attended it and why? What was the</p> <p>24 purpose of those meetings?</p> <p>25 A. The purpose of the meetings was to</p>
<p style="text-align: right;">Page 19</p> <p>1 independent.</p> <p>2 Q. What is the Monitoring Committee? I know</p> <p>3 you mentioned that previously.</p> <p>4 A. The Monitoring Committee is a committee</p> <p>5 provided for in the settlement documents that is</p> <p>6 comprised of representatives, at least in the</p> <p>7 original -- well, in the -- in the original five</p> <p>8 judgments, it was comprised of representatives of 15</p> <p>9 states and had federal government representation also</p> <p>10 from the Department of HUD and from the US Justice</p> <p>11 Department Trustee Program, which is a bankrupt --</p> <p>12 bankruptcy trustee program.</p> <p>13 Q. Do you remember who you dealt with at DOJ?</p> <p>14 A. Yes.</p> <p>15 Q. Who was that individual?</p> <p>16 A. Usually it was Diarmuid Gorham.</p> <p>17 Q. Do you remember who you dealt with</p> <p>18 regarding the state AGs?</p> <p>19 A. Well, there were again, it was a</p> <p>20 committee. The chairman of the committee was Patrick</p> <p>21 Madigan who is an assistant attorney general or deputy</p> <p>22 attorney general of Iowa and Richard Bischoff of</p> <p>23 Texas, they were cochairs.</p> <p>24 Q. And they were your two point people</p> <p>25 regarding the state AGs?</p>	<p style="text-align: right;">Page 21</p> <p>1 establish uniform rules of performance and measurement</p> <p>2 for all the servicers and to work out disagreements</p> <p>3 over interpretations of the settlement doc --</p> <p>4 settlement -- the consent judgments, their terms.</p> <p>5 Q. So the different servicers, you want to</p> <p>6 make sure they were all on the same page?</p> <p>7 A. Yes.</p> <p>8 Q. In relation to your duties as monitor of</p> <p>9 the National Mortgage Settlement and the RMBS</p> <p>10 settlements, did you review JPMorgan Chase -- Chase's</p> <p>11 system of records?</p> <p>12 A. We did. I did and my colleagues did.</p> <p>13 Q. What did you do in order to review Chase's</p> <p>14 system of records?</p> <p>15 A. We met with the management, and by the</p> <p>16 way, we did this with every servicer, not just with</p> <p>17 Chase, with every servicer. We would meet with the</p> <p>18 management and with the people involved with the --</p> <p>19 the management of their mortgage servicing programs</p> <p>20 including the information technology people, and we</p> <p>21 would get a -- they would present to us the nature of</p> <p>22 their systems, and they all had several, the</p> <p>23 relationship with those systems, and we began with</p> <p>24 that process, a familiarization with those systems,</p> <p>25 which was preparatory to doing the work necessary to</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>1 monitor the settlement.</p> <p>2 Q. So would you actually go into the bank and</p> <p>3 actually look at the various systems and they would</p> <p>4 sort of walk you through that process?</p> <p>5 A. We -- we would review the nature of the</p> <p>6 systems themselves and had significant disclosures</p> <p>7 about it. We never operated the system or in any way</p> <p>8 took control of the system.</p> <p>9 Q. Did your third-party representatives, such</p> <p>10 as BDO and the various accounting firms, did they do a</p> <p>11 process by which they would actually go into the</p> <p>12 various system of records and perform various tests?</p> <p>13 A. We didn't -- we never went into systems of</p> <p>14 record. We would review output from systems of</p> <p>15 record.</p> <p>16 Q. And what was the nature of that output?</p> <p>17 A. We would review the output to determine --</p> <p>18 we would review with the managements the queries which</p> <p>19 they would -- sent into the systems of record to -- to</p> <p>20 extract, where necessary, populations of loans covered</p> <p>21 by various metrics. And so it involved a long and</p> <p>22 continuous, by my colleagues, interaction with the</p> <p>23 managements of all the servicers and their technical</p> <p>24 people to satisfy ourselves as best we could that we</p> <p>25 were getting a complete population where needed.</p>	<p>Page 22</p> <p>1 BY MR. TANTILLO:</p> <p>2 Q. Can you -- let me just restate the</p> <p>3 question because you answered it. So you said there's</p> <p>4 no independent integrity?</p> <p>5 MR. EPSTEIN: Objection to form.</p> <p>6 THE WITNESS: No.</p> <p>7 BY MR. TANTILLO:</p> <p>8 Q. You had -- Mr. Smith, did you have a duty</p> <p>9 to review the integrity of the systems of records?</p> <p>10 A. We did not.</p> <p>11 Q. Did any independent third party working</p> <p>12 with OMSO review the integrity of the system of</p> <p>13 records?</p> <p>14 A. No.</p> <p>15 Q. As monitor of the settlements, are you</p> <p>16 responsible for reviewing the servicers' system of</p> <p>17 records?</p> <p>18 MR. EPSTEIN: Objection to form as to</p> <p>19 what you mean by "records."</p> <p>20 THE WITNESS: I actually don't</p> <p>21 understand that question.</p> <p>22 BY MR. TANTILLO:</p> <p>23 Q. Under the National Mortgage Settle --</p> <p>24 Settlement, who is responsible to review the</p> <p>25 servicers' system of records?</p>
<p>Page 23</p> <p>1 Q. Now, you mentioned various queries, what</p> <p>2 type of queries were those?</p> <p>3 A. I don't remember in detail. We have -- in</p> <p>4 my reports to the court, we have fairly significant,</p> <p>5 some discussions at least, of the kinds of things --</p> <p>6 processes we went through.</p> <p>7 Q. Would they be -- was there various types</p> <p>8 of metric testing that was performed?</p> <p>9 A. Well, the whole purpose -- the settlement</p> <p>10 had two parts, one was consumer relief, the other was</p> <p>11 servicing standards, measurement under metrics.</p> <p>12 In the case of metrics, there was testing</p> <p>13 which was provided for in the settle -- in the consent</p> <p>14 judgment documents. They -- it was defined what we</p> <p>15 were to do. And so this exercise I've just described</p> <p>16 was in furtherance of implementing what the consent</p> <p>17 judgments said.</p> <p>18 Q. But you had to rely on what the various</p> <p>19 servicers were providing to you?</p> <p>20 A. Yes.</p> <p>21 Q. So there was no independent process on</p> <p>22 your part to verify the integrity of the systems of</p> <p>23 records?</p> <p>24 A. That is correct.</p> <p>25 MR. PISTILLI: Objection.</p>	<p>Page 25</p> <p>1 MR. EPSTEIN: Objection to form as to</p> <p>2 what the word "reviewing" means.</p> <p>3 MR. PISTILLI: Objection.</p> <p>4 BY MR. TANTILLO:</p> <p>5 Q. Let's move to IRG. What is the IRG, or</p> <p>6 the Independent Review Group.</p> <p>7 MR. EPSTEIN: Objection to form,</p> <p>8 mischaracterizes the actual name of the group,</p> <p>9 but go ahead.</p> <p>10 THE WITNESS: Well, there is -- each of</p> <p>11 the servicers was required by the consent</p> <p>12 judgments to establish an independent review</p> <p>13 group which was -- could be, and usually was,</p> <p>14 employees of the servicers -- of the servicer</p> <p>15 but who were independent of the mortgage</p> <p>16 servicing operation. I would analogize that to</p> <p>17 being independent in the way independent</p> <p>18 auditors are -- are independent of management,</p> <p>19 operating management, in another context. They</p> <p>20 were to report in a way that was independent of</p> <p>21 the -- of management such as to preserve their</p> <p>22 independence. And they were review -- they were</p> <p>23 the first review of management's submission of</p> <p>24 its various proofs that it had complied.</p> <p>25</p>



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>Page 26</p> <p>1 BY MR. TANTILLO:</p> <p>2 Q. Mr. Smith, I'm going to show you what's</p> <p>3 been marked as Exhibit Number 1.</p> <p>4 (EXHIBIT NUMBER 1 WAS MARKED FOR IDENTIFICATION)</p> <p>5 BY MR. TANTILLO:</p> <p>6 Q. This is document Bates number</p> <p>7 JPMC-MRS-00134158.</p> <p>8 MR. TANTILLO: And I'll let counsel for</p> <p>9 Chase review this.</p> <p>10 MR. PISTILLI: Do you have copies?</p> <p>11 MR. TANTILLO: Of course, I do.</p> <p>12 MR. EPSTEIN: Do you have one for me as</p> <p>13 well, please?</p> <p>14 MR. TANTILLO: Yes, sir.</p> <p>15 MR. EPSTEIN: Thank you.</p> <p>16 BY MR. TANTILLO:</p> <p>17 Q. Mr. Smith, if you could turn to page 2 of</p> <p>18 this document.</p> <p>19 MR. EPSTEIN: Oh, take whatever time</p> <p>20 you need to review the document.</p> <p>21 MR. PISTILLI: And sorry, do you have a</p> <p>22 copy for me?</p> <p>23 MR. TANTILLO: Yeah, of course.</p> <p>24 MR. PISTILLI: Thank you.</p> <p>25</p>	<p>Page 28</p> <p>1 detail the protocols under which the company, as I</p> <p>2 recall, it would do its -- the IRG would do its work</p> <p>3 in reviewing the company's performance and the</p> <p>4 servicer's performance, and my colleagues and I would</p> <p>5 do our work in validating or reviewing their work.</p> <p>6 Q. And what type of items were inside a work</p> <p>7 plan?</p> <p>8 A. I don't remember the details of work</p> <p>9 plans.</p> <p>10 Q. Who would produce -- or who would create</p> <p>11 this work plan?</p> <p>12 A. It would be negotiated between the</p> <p>13 servicer and my colleagues and me.</p> <p>14 Q. And who created the final document itself</p> <p>15 or what the work plan was?</p> <p>16 A. I don't recall.</p> <p>17 Q. Did the Department of Justice or the</p> <p>18 Monitoring Committee see this work plan?</p> <p>19 A. Yes.</p> <p>20 Q. Does the work plan change any of the</p> <p>21 requirements of the National Mortgage Settlement?</p> <p>22 A. No.</p> <p>23 Q. How about the HAMP, did it change any of</p> <p>24 the requirements --</p> <p>25 A. I'm sorry?</p>
<p>Page 27</p> <p>1 BY MR. TANTILLO:</p> <p>2 Q. Please let me know when you've had a</p> <p>3 chance to fully review the document.</p> <p>4 (WITNESS REVIEWS DOCUMENT)</p> <p>5 Mr. Smith, have you reviewed this</p> <p>6 document, Exhibit Number 1?</p> <p>7 A. Yes.</p> <p>8 Q. Referring to page 2 of this document, you</p> <p>9 just described how the IRG worked. Was this a fair</p> <p>10 representation of your understanding of how this</p> <p>11 particular process worked?</p> <p>12 A. Well, it describes the organization</p> <p>13 through which they did their work.</p> <p>14 Q. And there is a -- sort of a dotted line</p> <p>15 between the line of business and the IRG. Was that</p> <p>16 the sort of the representation as you said previously</p> <p>17 that there -- this group was supposed to be separate</p> <p>18 from the line of business?</p> <p>19 A. Yes.</p> <p>20 Q. Thank you.</p> <p>21 Let me ask you a question, what is the</p> <p>22 work plan?</p> <p>23 A. The work plan for each of the judgments</p> <p>24 that comprised the settlement was a negotiated</p> <p>25 document that outlined in some detail -- well, in</p>	<p>Page 29</p> <p>1 Q. Did it change any of the requirements</p> <p>2 regarding the HAMP?</p> <p>3 A. We were not engaged in monitoring</p> <p>4 conformity with HAMP.</p> <p>5 MR. PISTILLI: I'm -- I'm just going to</p> <p>6 make an objection. Just want to -- I've been</p> <p>7 giving you some latitude to ask some background</p> <p>8 questions, Brent, but as you know, the</p> <p>9 magistrate judge on this case has entered an</p> <p>10 order limiting discovery that can go forward at</p> <p>11 this time. I've not yet heard a single question</p> <p>12 that touches on any of the narrow issues on</p> <p>13 which the magistrate judge has permitted</p> <p>14 discovery. To the extent any of the questions</p> <p>15 you've been asking so far have relevance to any</p> <p>16 issues that I'm aware of would be relevant only</p> <p>17 to the state portion of the MRS case or the now</p> <p>18 dismissed DC action. So, you know, I'm really</p> <p>19 going to have to insist as we move forward that</p> <p>20 you comply with Judge Francis's order and limit</p> <p>21 your questioning appropriately.</p> <p>22 MR. TANTILLO: My response to that is</p> <p>23 the following: The magistrate allowed us to</p> <p>24 inquire into several areas. First of all, the</p> <p>25 Recovery 1 system of records, the second lien</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>1 extinguishment program, and the various lien 2 releases that occurred. I believe our position 3 is that all of this is relevant to those 4 particular claims that are within the -- Judge 5 Francis's order.</p> <p>6 MR. PISTILLI: I disagree and I'm going 7 to continue to object, and if necessary, we'll 8 get Judge Francis on the phone to clarify.</p> <p>9 THE WITNESS: May I consult with my 10 counsel for a minute?</p> <p>11 (DISCUSSION HELD OFF THE RECORD)</p> <p>12 THE VIDEOGRAPHER: The time is 13 9:59 a.m. We'll be going off record.</p> <p>14 (RECESS TAKEN)</p> <p>15 THE VIDEOGRAPHER: The time now is 16 10:05 a.m. We will be going back on record 17 after I offer a correction. I read the case 18 number incorrectly as 12-CV. It is 19 15-CV-00293-LTS-FCP. I apologize for that 20 error, and you may begin.</p> <p>21 MR. TANTILLO: I want to go back to the 22 objection that Mr. Pistilli made. It's our 23 position that it's a standing objection that you 24 have at this point.</p> <p>25 MR. PISTILLI: It's a standing</p>	<p>Page 30</p> <p>1 issues that you all have been discussing.</p> <p>2 MR. TANTILLO: Mr. Pistilli, I think 3 our position would be if there's any questions 4 in this deposition that you're opposed to, you 5 can move it to -- move to strike that testimony 6 at a later date.</p> <p>7 MR. PISTILLI: So you'd violate the 8 court order now and then we move to strike 9 later? That -- that's unacceptable. We're 10 going to continue to object, and if the 11 inappropriate lines of questioning continue, we 12 reserve all rights to seek any appropriate 13 actions from the magistrate judge, either during 14 the course of the deposition or after.</p> <p>15 MR. TANTILLO: That's reasonable, but I 16 think our position is that, obviously, we're 17 willing to allow you to move to strike the, you 18 know, matters and the questions later.</p> <p>19 MR. PISTILLI: I understand your 20 position. Our position is that you may not ask 21 questions that violate a court order.</p> <p>22 MR. TANTILLO: Well, obviously we have 23 a difference of opinion about that.</p> <p>24 BY MR. TANTILLO: 25 Q. Regarding -- moving back to the systems of</p>
<p>Page 31</p> <p>1 objection, and I'll certainly object further 2 as -- you know, if the inappropriate questioning 3 continues.</p> <p>4 MR. TANTILLO: Well, regarding that, 5 Mr. Pistilli, obviously, you are an invited 6 guest here. I believe that would be the 7 position Mr. Epstein would be able to object to 8 that. Under the local rules, that's my 9 understanding.</p> <p>10 MR. PISTILLI: I -- I disagree. It is 11 Judge Francis's order in this case. Here to 12 represent Chase's interest in this case. I'm 13 entitled to object on the basis on your 14 continuing violation of a court order in this 15 case.</p> <p>16 MR. EPSTEIN: And let me just -- since 17 you invoked my name, let me state for the 18 record, we view our position here today as -- as 19 a nonparty, and as a nonparty, we have not 20 studied the court's order, we have not studied 21 the Complaint, we have not studied what is or is 22 not relevant, and we're not here to make those 23 decisions today. And we will answer questions 24 that are calling for nonprivileged information 25 and we'll let the parties sort out the other</p>	<p>Page 32</p> <p>1 record, Mr. Smith, you stated you did not have the 2 ability to review the integrity of the systems of 3 record?</p> <p>4 MR. PISTILLI: Objection, misstates 5 prior testimony.</p> <p>6 MR. EPSTEIN: You can answer to the 7 extent you can.</p> <p>8 THE WITNESS: We were not required to 9 do that and we were not under the orders under 10 the consent judgments given the authority to do 11 that. It was, one, we were allowed to receive 12 an independent report on the system of record 13 annually.</p> <p>14 BY MR. TANTILLO: 15 Q. As part of the systems of record that you 16 reviewed, were you informed about a system of record 17 called Recovery 1? 18 A. Yes. 19 Q. As you understand it, what is Recovery 1? 20 A. I actually don't have a -- a -- a good 21 recollection of what Recovery 1 entails entirely. 22 I'm -- I'm aware it was one of the systems that Chase 23 had for managing the servicing portfolio. 24 Q. Mr. Smith, I'm showing you what has been 25 marked as Exhibit Number 2.</p> <p>Page 33</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 34</p> <p>1 (EXHIBIT NUMBER 2 WAS MARKED FOR IDENTIFICATION)</p> <p>2 MR. TANTILLO: Let me show it to Chase</p> <p>3 counsel.</p> <p>4 MR. PISTILLI: Could I have a copy,</p> <p>5 please?</p> <p>6 MR. TANTILLO: Of course.</p> <p>7 MR. EPSTEIN: Thank you.</p> <p>8 MR. TANTILLO: Yes, sir.</p> <p>9 (WITNESS REVIEWS DOCUMENT)</p> <p>10 BY MR. TANTILLO:</p> <p>11 Q. This document refers to a discovery by</p> <p>12 Grant Thorton. Were you aware of that, when Grant</p> <p>13 Thorton became aware of Recovery 1?</p> <p>14 A. Yes.</p> <p>15 MR. PISTILLI: Object to form.</p> <p>16 THE WITNESS: Well, no. I -- yeah, I</p> <p>17 was aware of the fact that Grant Thorton had</p> <p>18 determined that Recovery 1 loans were not being</p> <p>19 included in populations for metrics testing.</p> <p>20 BY MR. TANTILLO:</p> <p>21 Q. Would that surprise you?</p> <p>22 A. I don't remember whether it surprised me</p> <p>23 or not.</p> <p>24 Q. With regards to Grant Thorton's discovery,</p> <p>25 what actions did you take to resolve this particular</p>	<p style="text-align: right;">Page 36</p> <p>1 servicers had -- had complied with the servicing</p> <p>2 standards that the metrics tested. We had originally</p> <p>3 29, that number grew to 33 for the original five over</p> <p>4 time, and so that was the -- by the way again, that</p> <p>5 was the only -- the only -- the extent of my authority</p> <p>6 to monitor compliance with the servicing standards was</p> <p>7 through this metrics testing.</p> <p>8 Q. How would the metrics testing work?</p> <p>9 A. The management in the first instance would</p> <p>10 determine a population of loans as to which the</p> <p>11 particular test applied. And this was all -- again,</p> <p>12 this was all included in both the consent judgment</p> <p>13 itself and in the work plans. I mean, they were --</p> <p>14 these were -- these were -- these weren't made up. I</p> <p>15 mean, these were determined when we started.</p> <p>16 They would conduct a series of queries --</p> <p>17 I mean, of -- there were actual test questions that</p> <p>18 had to be answered with regard to a -- well, to go</p> <p>19 back to a step. From the population, a statistically</p> <p>20 valid sample of loans would be extracted, and those</p> <p>21 loans would be subjected to a series of questions with</p> <p>22 regard to whether they -- they -- and -- and the</p> <p>23 answers to those questions would -- by -- through the</p> <p>24 answers to those questions, it would be determined</p> <p>25 whether the servicer had complied with the -- first of</p>
<p style="text-align: right;">Page 35</p> <p>1 problem?</p> <p>2 MR. EPSTEIN: Objection to the form of</p> <p>3 that question.</p> <p>4 MR. PISTILLI: Join.</p> <p>5 BY MR. TANTILLO:</p> <p>6 Q. What did you do when you learned of this</p> <p>7 discovery?</p> <p>8 A. I consulted with my colleagues about what</p> <p>9 an appropriate response would be. As this document</p> <p>10 suggests, there was an interpretative issue here and</p> <p>11 after consultation, determined that the loans in</p> <p>12 Recovery 1 should be included in populations and</p> <p>13 instructed -- in fact, instructed all parties to</p> <p>14 prospectively include these loans when defining</p> <p>15 populations for the metrics where they were -- could</p> <p>16 be included. Well, for all metrics, but they were in</p> <p>17 some and not others.</p> <p>18 Q. Now, you're referring to metrics, what is</p> <p>19 the metrics testing of the National Mortgage</p> <p>20 Settlement?</p> <p>21 A. Each -- the National Mortgage Settlement</p> <p>22 had about 300 -- just over 300 servicing standards.</p> <p>23 Measurement of performance of those standards was only</p> <p>24 to be done through metrics testing, that is to say the</p> <p>25 use of tests to determine whether the -- each of the</p>	<p style="text-align: right;">Page 37</p> <p>1 all, had passed the test. If it did not, there were</p> <p>2 consequences. But it would, thus, measure compliance</p> <p>3 with servicing standards through these various tests</p> <p>4 and then the IRG would review management's submission</p> <p>5 and would, if it agreed with management, assert that</p> <p>6 it -- on behalf of the company, that they had -- well,</p> <p>7 whatever the results were, that they had passed X</p> <p>8 number of tests and failed some others, not -- not --</p> <p>9 and the performance, by the way, is judged on the</p> <p>10 basis of a error rate. There was a permissible rate</p> <p>11 of error and it varied by metric, and if the company</p> <p>12 exceeded the error rate on a particular test, it did</p> <p>13 not pass the metrics, so the company would tell us how</p> <p>14 many they passed and how many they did not pass.</p> <p>15 The secondary professional firm would then</p> <p>16 essentially re-perform the same process to determine</p> <p>17 whether it agreed with management's assertions and BDO</p> <p>18 would do a final subtest of its -- of the SPF's work</p> <p>19 to determine whether it did. And once that had been</p> <p>20 done, I would report -- we would collate this for each</p> <p>21 of the servicers and I would report to the court on</p> <p>22 the -- on the -- on the results of those tests.</p> <p>23 Q. Was there a point in time when you</p> <p>24 reported to the court the exclusion of the Recovery 1</p> <p>25 population?</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 38</p> <p>1 A. I don't recall that I did.</p> <p>2 Q. Why did you add the three metrics?</p> <p>3 A. It's -- I actually added four metrics.</p> <p>4 Four metrics are added. Well, let's start from the</p> <p>5 beginning.</p> <p>6 Of the 304 servicing standards, not all</p> <p>7 were covered by the -- by the 19 metrics. There --</p> <p>8 there were some that weren't. And as we got</p> <p>9 experience with measurement of these metrics and as we</p> <p>10 learned what was going on in the marketplace through</p> <p>11 our complaints and through my trips to ten states</p> <p>12 around the country to meet with attorneys general,</p> <p>13 advocates and the like, it was determined that there</p> <p>14 were some areas where we needed further testing and so</p> <p>15 the four metrics were negotiated between myself, the</p> <p>16 Monitoring Committee, and the servicers to address</p> <p>17 additional areas of concern.</p> <p>18 Q. Was the exclusion of the Recovery 1</p> <p>19 population from the metrics testing one of your areas</p> <p>20 of concern?</p> <p>21 A. No.</p> <p>22 Q. Upon learning of the exclusion of</p> <p>23 Recovery 1, did you provide JPMorgan Chase the time to</p> <p>24 cure these violations?</p> <p>25 MR. PISTILLI: Objection.</p>	<p style="text-align: right;">Page 40</p> <p>1 (EXHIBIT NUMBER 3 WAS MARKED FOR IDENTIFICATION)</p> <p>2 MR. PISTILLI: Do you have copies?</p> <p>3 MR. TANTILLO: Yeah, of course.</p> <p>4 (WITNESS REVIEWS DOCUMENT)</p> <p>5 BY MR. TANTILLO:</p> <p>6 Q. Did OMSO instruct JPMorgan Chase that so</p> <p>7 long as the JPM -- JP -- JPMC, excuse me, is releasing</p> <p>8 the first and second liens on the subject properties</p> <p>9 that RCBI loans could be excluded from metrics</p> <p>10 testing?</p> <p>11 A. Well, this document, Exhibit 3, you've</p> <p>12 just given me says that, and it is -- would be</p> <p>13 consistent with the fact that the settlement only</p> <p>14 applied to loans as to which a mortgage -- an existing</p> <p>15 mortgage and lien.</p> <p>16 Q. Did you know that this caused Chase to</p> <p>17 file lien releases on loans that were sold in note</p> <p>18 sales to companies like my client, Mortgage Resolution</p> <p>19 Servicing?</p> <p>20 A. No.</p> <p>21 MR. PISTILLI: Objection, lacks</p> <p>22 foundation.</p> <p>23 BY MR. TANTILLO:</p> <p>24 Q. Was the intent of this directive that OMSO</p> <p>25 provided, was it to apply to all loans in Recovery 1</p>
<p style="text-align: right;">Page 39</p> <p>1 MR. EPSTEIN: Objection to form.</p> <p>2 MR. PISTILLI: And lacks foundation.</p> <p>3 THE WITNESS: My only job was to</p> <p>4 measure performance under the settlement and so</p> <p>5 we revised our protocols to include Recovery 1</p> <p>6 and proceeded forward.</p> <p>7 BY MR. TANTILLO:</p> <p>8 Q. Mr. Smith, did you provide JPMorgan Chase</p> <p>9 with extensions of time to bring Recovery 1 into</p> <p>10 metrics testing?</p> <p>11 A. I don't recall.</p> <p>12 Q. Mr. Smith, did you tell JPMorgan Chase</p> <p>13 that so long as they released the first and second</p> <p>14 liens they would not have to be subject to metrics</p> <p>15 testing?</p> <p>16 A. Whether I told them or not, I don't know.</p> <p>17 I -- I -- there was -- I don't remember.</p> <p>18 Q. Was there a point in time regarding</p> <p>19 Recovery 1 population, and obviously in terms of</p> <p>20 bringing the metrics testing, that you directed them</p> <p>21 to release the first and second liens?</p> <p>22 A. What I remember is, we included Recovery 1</p> <p>23 loans in our considerations of metrics testing and</p> <p>24 proceeded on that protocol perspective from a date I</p> <p>25 don't recall. I don't recall much else.</p>	<p style="text-align: right;">Page 41</p> <p>1 or was it to apply just to occupied properties?</p> <p>2 MR. EPSTEIN: Objection to form.</p> <p>3 MR. PISTILLI: Join the objection.</p> <p>4 MR. EPSTEIN: You can answer to the</p> <p>5 extent you can.</p> <p>6 THE WITNESS: Yeah, I don't have</p> <p>7 anything to add to Exhibit 3.</p> <p>8 BY MR. TANTILLO:</p> <p>9 Q. Did you analyze the effects of such lien</p> <p>10 release on municipalities?</p> <p>11 A. No.</p> <p>12 Q. Did any municipalities contact you</p> <p>13 regarding their concerns?</p> <p>14 A. Could you be more specific? I mean, I</p> <p>15 don't --</p> <p>16 Q. Sure.</p> <p>17 A. -- about --</p> <p>18 Q. Did any municipalities contact you</p> <p>19 regarding their concerns and the impact of such lien</p> <p>20 releases in their communities?</p> <p>21 A. I don't recall that.</p> <p>22 (EXHIBIT NUMBER 4 WAS MARKED FOR IDENTIFICATION)</p> <p>23 BY MR. TANTILLO:</p> <p>24 Q. Mr. Smith, I'm going to show you what's</p> <p>25 been marked as Plaintiffs' Exhibit Number 4.</p>



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 42</p> <p>1 A. Uh-huh.</p> <p>2 MR. TANTILLO: Excuse me, Chris.</p> <p>3 MR. PISTILLI: I'm just, at this point,</p> <p>4 going to renew my continuing objection that this</p> <p>5 line of questioning violates Judge Francis's</p> <p>6 order limiting discovery in this case. I can't</p> <p>7 see how any of this has any conceivable</p> <p>8 relevance to any of the issues that the court</p> <p>9 determined were appropriate subjects of</p> <p>10 discovery at this time, and certainly invite you</p> <p>11 to make a proffer, but, you know, this line of</p> <p>12 questioning is highly improper, in violation of</p> <p>13 Judge Francis's order as near as I can tell.</p> <p>14 MR. TANTILLO: I believe your objection</p> <p>15 is duly noted.</p> <p>16 MR. PISTILLI: You're declining my</p> <p>17 opportunity to explain what conceivable</p> <p>18 relevance this line of questioning has to issues</p> <p>19 that are permitted within the scope of Judge</p> <p>20 Francis's order limiting discovery?</p> <p>21 MR. TANTILLO: Judge Francis, in his</p> <p>22 order, said that anything regarding lien</p> <p>23 releases was applicable to the case that -- as</p> <p>24 it stands.</p> <p>25 MR. PISTILLI: Anything regarding</p>	<p style="text-align: right;">Page 44</p> <p>1 Mortgage Settlement, did they do anything in terms of</p> <p>2 trying to relieve the concerns of cities like</p> <p>3 Milwaukee?</p> <p>4 A. No.</p> <p>5 Q. Mr. Smith, do you know what the pre DOJ</p> <p>6 lien release project was?</p> <p>7 A. No.</p> <p>8 Q. Did JPMorgan Chase inform you that they</p> <p>9 released liens prior to October 1st of 2012?</p> <p>10 A. I don't recall if they did.</p> <p>11 Q. Were you informed of the fact that lien</p> <p>12 releases were occurring by JPMorgan Chase through the</p> <p>13 crediting process of these various settlements?</p> <p>14 MR. EPSTEIN: Objection to form.</p> <p>15 THE WITNESS: Could you -- could you be</p> <p>16 a little more specific of what . . .</p> <p>17 BY MR. TANTILLO:</p> <p>18 Q. Yes, sir.</p> <p>19 Why would JPMorgan Chase release these</p> <p>20 liens, did you know?</p> <p>21 A. I'm not sure --</p> <p>22 MR. PISTILLI: Objection.</p> <p>23 THE WITNESS: I'm not sure I know what</p> <p>24 liens we're discussing.</p> <p>25</p>
<p style="text-align: right;">Page 43</p> <p>1 releases of liens involving your client. None</p> <p>2 of this has any relevance to any of the</p> <p>3 commercial disputes between the parties in this</p> <p>4 case.</p> <p>5 MR. TANTILLO: Our position --</p> <p>6 MR. PISTILLI: I will continue my</p> <p>7 objection, reserve all rights to seek</p> <p>8 appropriate relief from the court.</p> <p>9 (WITNESS REVIEWS DOCUMENT)</p> <p>10 THE WITNESS: I was -- is there a</p> <p>11 question?</p> <p>12 BY MR. TANTILLO:</p> <p>13 Q. Yes, sir.</p> <p>14 Do you remember receiving this letter?</p> <p>15 A. I do, or letters like it, there were</p> <p>16 several.</p> <p>17 Q. What municipalities contacted you</p> <p>18 regarding letters like this?</p> <p>19 A. Milwaukee was the one I remember.</p> <p>20 Q. And upon receiving this letter, what was</p> <p>21 your response?</p> <p>22 A. I don't recall.</p> <p>23 Q. The City of Milwaukee, in this letter, was</p> <p>24 concerned, obviously, about the lien releases. And</p> <p>25 did the Office of the Monitor, I'm sorry, Office of</p>	<p style="text-align: right;">Page 45</p> <p>1 BY MR. TANTILLO:</p> <p>2 Q. In Recovery 1?</p> <p>3 A. Oh, I don't know.</p> <p>4 Q. I'm going to show you a document marked</p> <p>5 Government Exhibit Number 5.</p> <p>6 MR. TANTILLO: Would it be 5 or 6?</p> <p>7 MR. EPSTEIN: 5.</p> <p>8 THE VIDEOGRAPHER: 5.</p> <p>9 MR. PISTILLI: Is the highlighting on</p> <p>10 this document yours or is it . . .</p> <p>11 MR. TANTILLO: I don't know.</p> <p>12 MR. PISTILLI: Copy, please.</p> <p>13 MR. TANTILLO: Sure.</p> <p>14 (EXHIBIT NUMBER 5 WAS MARKED FOR IDENTIFICATION)</p> <p>15 (WITNESS REVIEWS DOCUMENT)</p> <p>16 BY MR. TANTILLO:</p> <p>17 Q. This document refers to a date of</p> <p>18 April 1st, 2014.</p> <p>19 A. Uh-huh.</p> <p>20 Q. Do you recall OMSO providing a date of</p> <p>21 April 1st, 2014 for the Recovery 1 population to be --</p> <p>22 A. I don't recall that personally, no.</p> <p>23 Q. -- in compliance.</p> <p>24 I'm going to show you what's marked as</p> <p>25 Government's -- excuse me, Plaintiffs' Exhibit</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>Page 46</p> <p>1 Number 6.</p> <p>2 Will you hold them for me?</p> <p>3 (EXHIBIT NUMBER 6 WAS MARKED FOR IDENTIFICATION)</p> <p>4 MR. TANTILLO: I will show you that,</p> <p>5 Chris, before I show it to him.</p> <p>6 MR. EPSTEIN: Thank you.</p> <p>7 MR. TANTILLO: Yes, sir.</p> <p>8 MR. PISTILLI: Thanks.</p> <p>9 THE WITNESS: I'm going to review this</p> <p>10 with this one.</p> <p>11 (WITNESS REVIEWS DOCUMENT)</p> <p>12 BY MR. TANTILLO:</p> <p>13 Q. On the first page of Exhibit Number 6, do</p> <p>14 you see where it appears that there was a extension</p> <p>15 for Recovery 1 that's on 5/1 of '14?</p> <p>16 A. There was a -- I'm sorry, would you --</p> <p>17 Q. There was an extension that was provided</p> <p>18 by yourself in order for them to come into metrics</p> <p>19 testing?</p> <p>20 A. This is --</p> <p>21 MR. PISTILLI: Objection, foundation.</p> <p>22 THE WITNESS: Well, I don't -- this</p> <p>23 page relates to Metric 31. That was one of the</p> <p>24 additional metrics that were added after</p> <p>25 experience with the original 19 -- 29 metrics,</p>	<p>Page 48</p> <p>1 settlement for the borrowers in the sample who --</p> <p>2 whose loans had not been properly dealt with.</p> <p>3 If a failure was widespread, a servicer</p> <p>4 would be required to determine the totality of the</p> <p>5 remediation required for all borrowers in the</p> <p>6 population affected by the metric.</p> <p>7 Q. Was there ever a borrower remediation that</p> <p>8 you filed or you courted regarding the Recovery 1</p> <p>9 loans?</p> <p>10 A. I -- any remediation activities for any</p> <p>11 servicer would have been publicly disclosed in our</p> <p>12 reports. The -- the failures did not have to do with</p> <p>13 particular portfolios, it had to do with the entire</p> <p>14 population, so it -- it -- so I can't really answer</p> <p>15 your question.</p> <p>16 Well, I can answer your question that</p> <p>17 it -- that the remediation would be for all loans in</p> <p>18 the population that was tested or for only in the --</p> <p>19 in the sample or in the case of widespread error in</p> <p>20 the total population.</p> <p>21 Q. So if the total number of loans, for</p> <p>22 example, was 8 million, hypothetically.</p> <p>23 A. Yes, all right.</p> <p>24 Q. But it's around that, let's say. If the</p> <p>25 pool of loans, let's say hypothetically Recovery 1,</p>
<p>Page 47</p> <p>1 rather, I said 19 earlier, 29.</p> <p>2 I don't know -- I don't know that</p> <p>3 this -- well, I would not -- I don't know that I</p> <p>4 can agree with your characterization of this as</p> <p>5 an extension. This may well have been when we</p> <p>6 began testing, but I don't know that either.</p> <p>7 This was an added metric.</p> <p>8 BY MR. TANTILLO:</p> <p>9 Q. Mr. Smith, what constitutes borrower</p> <p>10 remediation when there's a potential violation within</p> <p>11 the settlements?</p> <p>12 A. If a servicer had an error rate on a</p> <p>13 metric that exceeded the error rate permitted by the</p> <p>14 consent judgments and they were established by a</p> <p>15 schedule in the consent judgments, there was a</p> <p>16 remediation obligation. It -- the amount of the --</p> <p>17 extent of the obligation depended on whether I</p> <p>18 determined separately that the failure to pass the</p> <p>19 test was a widespread error or merely -- or was not an</p> <p>20 error.</p> <p>21 So if there were a 5 percent error rate</p> <p>22 and the actual error rate determined by test was</p> <p>23 5.7 percent, that would not, as a rule, had been</p> <p>24 determined by me to be widespread. In that case,</p> <p>25 remediation would be done under the terms of the</p>	<p>Page 49</p> <p>1 was below the threshold error rate then --</p> <p>2 A. Well --</p> <p>3 MR. PISTILLI: Object to the form,</p> <p>4 lacks foundation, calls for speculation.</p> <p>5 THE WITNESS: -- each -- let me -- let</p> <p>6 me restate it.</p> <p>7 Each metric, there were 29 metrics, I</p> <p>8 misstated earlier and I apologize, it went on up</p> <p>9 to 33 in the case of Chase, ultimately. All but</p> <p>10 three of those metrics did not involve testing.</p> <p>11 They were so-called policy and procedures</p> <p>12 metrics. Those, you either passed or failed --</p> <p>13 the service either passed or failed by either</p> <p>14 having done what the metric required or not</p> <p>15 done, and it was pretty binary.</p> <p>16 For the metrics that required testing,</p> <p>17 sampling, in each case we would -- the servicer</p> <p>18 first, then reviewed by IRG, then reviewed by us</p> <p>19 twice, would determine a population of loans.</p> <p>20 Those loans could be extracted -- depending on</p> <p>21 the metric, could be extracted from any one of a</p> <p>22 number of systems that the servicer operated.</p> <p>23 There wasn't -- there weren't tests for</p> <p>24 particular systems, they were -- it was for</p> <p>25 loans covered by the metrics.</p>



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 50</p> <p>1 If -- if a failure was not determined</p> <p>2 to be widespread, if -- if the servicer exceeded</p> <p>3 the threshold error rate but not to an extent</p> <p>4 that caused me to determine it was widespread,</p> <p>5 and I did in every case determine that, one way</p> <p>6 or the other, the remediation would be given</p> <p>7 only to the loans in the sample where the --</p> <p>8 where the -- where there had been -- where the</p> <p>9 company had not handled the loan -- or the</p> <p>10 servicer had not handled the loan appropriately.</p> <p>11 If I determined the failure to be</p> <p>12 widespread, the servicer was required to look at</p> <p>13 the entire population of loans covered by the</p> <p>14 metric and to determine what the -- what the</p> <p>15 remediation was required for all loans in that</p> <p>16 population.</p> <p>17 BY MR. TANTILLO:</p> <p>18 Q. Does the settlement require you to go</p> <p>19 beyond sample testing if there's an indication that</p> <p>20 there may be a pattern of noncompliance?</p> <p>21 A. If there is a pattern of -- if I</p> <p>22 determined -- if -- if the servicer tells me there's a</p> <p>23 pattern of noncompliance or if I determine in some way</p> <p>24 there is a pattern of noncompliance, I have authority</p> <p>25 to do additional investigation.</p>	<p style="text-align: right;">Page 52</p> <p>1 A. Uh-huh.</p> <p>2 Q. If -- if they violate -- if they did -- if</p> <p>3 they were within Metric 31 in terms of the sample that</p> <p>4 was provided but perhaps they violated Metric 29, was</p> <p>5 the -- the threshold error rate applied by each sample</p> <p>6 or was it applied as a whole to all the loans?</p> <p>7 MR. EPSTEIN: Objection to form.</p> <p>8 MR. PISTILLI: Join.</p> <p>9 THE WITNESS: A population was pooled</p> <p>10 for each metric. A separate population was</p> <p>11 pooled for each metric, and the sample was drawn</p> <p>12 from each population separately and the testing</p> <p>13 was done in each case for that metric only.</p> <p>14 BY MR. TANTILLO:</p> <p>15 Q. Who was responsible for pulling together</p> <p>16 those sample pools?</p> <p>17 A. The samples were drawn -- the</p> <p>18 populations -- the populations were determined by the</p> <p>19 operating management, reviewed by the IRG, and</p> <p>20 reviewed by us. The samples were generally randomized</p> <p>21 samples that were pooled using a software tool and it</p> <p>22 varied and I can't name them, but we named them in our</p> <p>23 reports. Each -- each sample was drawn by random,</p> <p>24 not -- not -- not selected. In other words, it was --</p> <p>25 the population was -- was developed and a randomized</p>
<p style="text-align: right;">Page 51</p> <p>1 Q. So the servicer was mainly responsible for</p> <p>2 telling you if they were not in noncompliance?</p> <p>3 MR. PISTILLI: Objection, misstates</p> <p>4 prior testimony.</p> <p>5 THE WITNESS: The settlement itself --</p> <p>6 and again, noncompliance is with the servicing</p> <p>7 standards, the 304 servicing standards. So if I</p> <p>8 determined there was a pattern of noncompliance</p> <p>9 with the servicing standard, what the -- what</p> <p>10 the -- what I was allowed to do was create</p> <p>11 another metric, by the way, not an open-ended --</p> <p>12 not a -- not an investigation of a kind that</p> <p>13 would lead to specific sanctions.</p> <p>14 BY MR. TANTILLO:</p> <p>15 Q. Was the threshold error rate applied on a</p> <p>16 metric-by-metric bases?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. So it wasn't applied to a</p> <p>19 population as a whole?</p> <p>20 MR. PISTILLI: Object to the form.</p> <p>21 THE WITNESS: I don't understand -- I</p> <p>22 don't understand the question.</p> <p>23 BY MR. TANTILLO:</p> <p>24 Q. For example, let's say, going back to</p> <p>25 Metric 31.</p>	<p style="text-align: right;">Page 53</p> <p>1 sample was drawn in a way we found satisfactory and</p> <p>2 reviewed. That's what -- and it was from that sample</p> <p>3 that the testing -- that sample was tested and then we</p> <p>4 determined whether the threshold error rate had been</p> <p>5 exceeded or not.</p> <p>6 Q. If Chase had made a determination that a</p> <p>7 certain group of loans, let's say Recovery 1, was not</p> <p>8 subject to the servicing standards, would you have</p> <p>9 ever received a sample pool?</p> <p>10 MR. PISTILLI: Objection.</p> <p>11 MR. EPSTEIN: Objection to form.</p> <p>12 THE WITNESS: Yeah. We received, in</p> <p>13 each case, populations developed by the company</p> <p>14 on bases that we have reviewed. We have gone</p> <p>15 through the -- the methodology they had used</p> <p>16 to -- to determine the populations because all</p> <p>17 this was done through computer query. And we</p> <p>18 would then -- as I follow again, I'm getting to</p> <p>19 be a broken record, but we would do the same</p> <p>20 thing, we would -- we -- once the population was</p> <p>21 agreed, the population would be pooled, the</p> <p>22 sample would be drawn from the population by</p> <p>23 randomization, and the testing would be done.</p> <p>24 BY MR. TANTILLO:</p> <p>25 Q. Let's turn to the RMBS settlement.</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>Page 54</p> <p>1 A. Uh-huh.</p> <p>2 Q. Did loans that were being credited</p> <p>3 pursuant to the RMBS settlement have to have an intact</p> <p>4 lien?</p> <p>5 A. At the -- yes, before the relief was</p> <p>6 given, yes.</p> <p>7 Q. And after they did a validation of an</p> <p>8 intact lien, at that point in time would the servicer</p> <p>9 release the lien?</p> <p>10 A. It depends on the form of relief they were</p> <p>11 using. The -- the -- the RMBS settlement, like the</p> <p>12 consent judgments that formed the National Mortgage</p> <p>13 Settlement, had a -- what was called a menu of relief</p> <p>14 options and it included a variety of -- of things.</p> <p>15 First lien mortgage modification or forgiveness,</p> <p>16 second lien mortgage modification or forgiveness,</p> <p>17 short sale assistance. There were a number of others,</p> <p>18 and, in fact, in the Chase matter, also included</p> <p>19 things like loans to first-time home buyers or</p> <p>20 included for credit. There was a list of things they</p> <p>21 could do and so there might have been some relief</p> <p>22 where a lien release was part of the relief, but it</p> <p>23 wasn't mandated.</p> <p>24 MR. PISTILLI: Just at this time, can I</p> <p>25 reassert, again, my continuing objection to this</p>	<p>Page 56</p> <p>1 loans are particularly applicable to our causes</p> <p>2 of action that are currently not stayed and</p> <p>3 without the background information as about what</p> <p>4 happened, we're -- all we're left with is the</p> <p>5 fact that liens were released.</p> <p>6 MR. PISTILLI: My continuing objection</p> <p>7 stands and we reserve all rights to seek</p> <p>8 appropriate sanctions from Judge Francis.</p> <p>9 MR. TANTILLO: Break? We're going to</p> <p>10 take a few-minute break.</p> <p>11 THE VIDEOGRAPHER: The time now is</p> <p>12 10:52 and we will be going off record. We're</p> <p>13 off record at 10:52.</p> <p>14 (RECESS TAKEN)</p> <p>15 THE VIDEOGRAPHER: The time now is</p> <p>16 11:15 a.m., and we are back on the record. You</p> <p>17 may begin.</p> <p>18 MR. TANTILLO: Before we begin, as we</p> <p>19 were reviewing our exhibits I noticed that we</p> <p>20 did have a privileged document that was from</p> <p>21 Chase counsel to, I guess, various employees at</p> <p>22 Chase. We have not used it, but I wanted to</p> <p>23 hand it over to Mr. Pistilli. And we'll,</p> <p>24 obviously, destroy that or any copies we have.</p> <p>25 MR. PISTILLI: Great.</p>
<p>Page 55</p> <p>1 line of questioning in that it blatantly, in my</p> <p>2 opinion, violates Judge Francis's order in this</p> <p>3 case limiting discovery.</p> <p>4 Again, I would invite counsel for</p> <p>5 Plaintiffs to make a proffer as to what</p> <p>6 conceivable relevance this line of questioning</p> <p>7 has to the commercial dispute between the</p> <p>8 parties as brought in Plaintiffs' tort and</p> <p>9 contract claims. I see absolutely no relevance</p> <p>10 to any of the issues in this case that are not</p> <p>11 subject to the discovery stay. I continue to</p> <p>12 believe that this entire line of questioning is</p> <p>13 in direct violation of Judge Francis's order.</p> <p>14 MR. TANTILLO: Mr. Pistilli, my clients</p> <p>15 were harmed by the various lien release</p> <p>16 processes that occurred because Chase was</p> <p>17 seeking consumer relief credit.</p> <p>18 MR. PISTILLI: Whether your clients</p> <p>19 were or weren't harmed by lien releases, your</p> <p>20 entire line of questioning to Mr. Smith has no</p> <p>21 relevance to either the fact of the harm or any</p> <p>22 other pleaded issue in your claims.</p> <p>23 MR. TANTILLO: We'd obviously beg to</p> <p>24 differ. The fact and the circumstance and the</p> <p>25 intent of why Chase was releasing my client's</p>	<p>Page 57</p> <p>1 MR. TANTILLO: Thank you. It's from</p> <p>2 Mr. Wick.</p> <p>3 MR. PISTILLI: Thank you.</p> <p>4 MR. TANTILLO: Chris, you okay for us</p> <p>5 to proceed?</p> <p>6 MR. PISTILLI: Yes, go ahead.</p> <p>7 BY MR. TANTILLO:</p> <p>8 Q. Mr. Smith, can you tell us what is the</p> <p>9 intact lien validation process?</p> <p>10 A. No.</p> <p>11 Q. As we stated earlier, there was a</p> <p>12 requirement for the liens to be intact, I guess, in</p> <p>13 order to receive credit. Was that for just the RMBS</p> <p>14 settlement or also for the NMS settlement as well?</p> <p>15 A. It was required -- determination that a</p> <p>16 lien was intact was required for some forms of relief</p> <p>17 in both the NMS and the RMBS settlement.</p> <p>18 Q. Were there instances in both settlements</p> <p>19 where a servicer could obtain credit if the loans were</p> <p>20 charged off?</p> <p>21 A. Yes. I believe so, yes.</p> <p>22 Q. What instances come to mind to you?</p> <p>23 A. Well, there was a form of relief, several</p> <p>24 forms of relief, where liens were released to -- that</p> <p>25 come to mind. There was actually a lien release form</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 58</p> <p>1 of relief in the NMS consent judgments. I'm not sure 2 that there was such a thing in -- I just don't 3 remember whether there's a similar one in Chase. 4       There were a variety of -- in second lien 5 relief there was -- release of the lien was not always 6 required, it depended -- the bank could elect -- the 7 servicer could elect to do it or not. There was 8 some -- there was an option to do a modification of a 9 second lien loan. 10       But in a substantial number of cases it 11 was easier for the servicers, frankly, to expunge the 12 lien and release -- expunge the loan, write it off, if 13 you call it, and release the lien. And there may have 14 been -- or there was a need to release the lien in 15 cases where there was a short sale. 16       Q.   Let's dig into that further. What were 17 the instances in which they were required to release a 18 lien in a short sale? And do you remember the 19 provision for that? 20       MR. PISTILLI: Object to the form. 21       THE WITNESS: Well, by its vary nature 22 a short sale required that all liens on the 23 property be released. 24 BY MR. TANTILLO: 25       Q.   What is the second lien extinguishment</p>	<p style="text-align: right;">Page 60</p> <p>1 a situation where we didn't require a waiver of 2 the deficiency. But I'm not -- I cannot tell 3 you right now that I remember with my own 4 knowledge whether that was required for all or 5 not. 6 BY MR. TANTILLO: 7       Q.   Was it possible to do a loan modification 8 on loans in the RCD1 system? 9       A.   I don't know. 10       Q.   Were there instances in which a lien 11 release was considered a modification? 12       A.   My recollection is that modifications were 13 generally done as to first lien loans, and that a 14 modification generally did not release a lien, it 15 merely reduced the principal amount of and/or extended 16 the time of payment. 17       Q.   So you're not -- go ahead, I'm sorry. 18       A.   I will say, in addition, there were 19 situations where if -- if there was a first and second 20 lien loan, there were times when it was required to 21 modify both to give the borrower relief in terms of 22 payment burden. 23       Q.   And how would they achieve that, through 24 an application process? 25       A.   In general, yes. Although, again,</p>
<p style="text-align: right;">Page 59</p> <p>1 program, are you familiar with that? 2       A.   I'm not. 3       Q.   Are you familiar with the process of 4 sending letters to borrowers to say that we're 5 releasing your lien in order to obtain credit? 6       A.   Letters to borrowers notifying them of a 7 release of lien were included in some of the 8 documentation that we reviewed in order to validate 9 relief. 10       Q.   Do you know whether or not it was a 11 requirement that the debt actually be forgiven? 12       A.   Some forms of relief gave credit for 13 forgiveness of loan amounts. It depends on the form 14 of relief we're talking about. 15       Q.   Are there forms of relief that allow the 16 banks to continue to collect on the debt after they 17 release a lien or they send an extinguishment letter? 18       MR. PISTILLI: Object to the form. 19       THE WITNESS: In cases where we gave -- 20 my recollection is that in cases where we gave 21 credit for relief where a lien was released -- I 22 better take that back. 23       There was -- there was a question of 24 whether a deficiency still remained or not. And 25 I don't want to generalize. I -- I can't recall</p>	<p style="text-align: right;">Page 61</p> <p>1 I -- yes. 2       Q.   Were there instances where an application 3 process was not used? 4       A.   I don't know. I don't recall. 5       Q.   What is the alternative foreclosure 6 process? Are you familiar with that? 7       A.   No. 8       Q.   Are you familiar with the anti-blight 9 provisions of the various agreements? 10       A.   I'm aware of them, yes. 11       Q.   Could you tell us how those worked in -- 12 regarding to the -- 13       A.   I will have a difficult time doing that, 14 because I don't believe any of the servicers availed 15 themselves of the anti-blight provisions. To my -- I 16 don't recall one. 17       Q.   What is Regulation X? 18       A.   This is very hard for me to say this, I 19 don't know. I can't describe it to you right now. 20       Q.   Did -- did OMSO ever -- ever require the 21 servicers to release liens in order to be compliant 22 with Regulation X? 23       A.   OMSO didn't require servicers to do 24 anything with regard to relief. The servicers granted 25 relief and presented it, first of all, to their IRG</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>1 for validation, then to us for validation.</p> <p>2 Q. Did OMSO ever provide counsel regarding</p> <p>3 ways to be in compliance with Regulation X?</p> <p>4 A. I'm not aware of that, no.</p> <p>5 (EXHIBIT NUMBER 7 WAS MARKED FOR IDENTIFICATION)</p> <p>6 MR. PISTILLI: So the same question</p> <p>7 about this document, it's got some yellow</p> <p>8 highlighting on certain portions. Was that</p> <p>9 highlighting applied by Plaintiffs' counsel?</p> <p>10 MR. TANTILLO: I don't know, Chris.</p> <p>11 MR. PISTILLI: So you're not sure what</p> <p>12 the yellow highlighting is?</p> <p>13 MR. TANTILLO: Actually, not.</p> <p>14 MR. PISTILLI: Okay. Just want that</p> <p>15 clear for the record.</p> <p>16 BY MR. TANTILLO:</p> <p>17 Q. Mr. Smith, I'm handing you what's been</p> <p>18 marked as Plaintiffs' Exhibit Number 7. Could you</p> <p>19 please review that?</p> <p>20 (WITNESS REVIEWS DOCUMENT)</p> <p>21 Q. Have you reviewed the document, Mr. Smith?</p> <p>22 A. I have.</p> <p>23 Q. Do you recall providing Chase, the</p> <p>24 servicer in this particular situation, providing them</p> <p>25 with approval or guidance to release the liens in</p>	<p>Page 62</p> <p>1 those people.</p> <p>2 Q. Mr. Smith, what constitutes a de minimis</p> <p>3 violation pursuant to the settlements?</p> <p>4 A. Well, de minimis is not a term of -- of</p> <p>5 art in the settlement, so I don't have an answer to</p> <p>6 that -- or a defined term, I should say.</p> <p>7 Q. Are you aware of instances where various</p> <p>8 servicers would present to OMSO arguments to the</p> <p>9 degree that violation was quote/unquote de minimis</p> <p>10 and, therefore, not a violation of the agreements --</p> <p>11 or the judgments, excuse me?</p> <p>12 A. Well, the discussions we would have had</p> <p>13 with servicers would be about whether they had</p> <p>14 exceeded the threshold error rate or not.</p> <p>15 Q. Did you see your role as monitor as a</p> <p>16 regulatory function?</p> <p>17 MR. EPSTEIN: Objection to form.</p> <p>18 THE WITNESS: I saw my role as being a</p> <p>19 defined and specific one in the enforcement of</p> <p>20 an agreed consent judgment.</p> <p>21 BY MR. TANTILLO:</p> <p>22 Q. I'm going to turn back to -- you</p> <p>23 mentioned, I believe, three or four metrics that were</p> <p>24 binary in scope. Even though you -- you --</p> <p>25 A. Yeah, right.</p> <p>Page 64</p>
<p>Page 63</p> <p>1 order to be compliant with the Regulation X?</p> <p>2 A. No.</p> <p>3 Q. Do you know anybody in your office who</p> <p>4 would have provided that kind of guidance?</p> <p>5 A. I'm not aware of anybody who did.</p> <p>6 Q. And that particular document does state</p> <p>7 that through speaking with somebody in your office</p> <p>8 they were provided guidance to do that?</p> <p>9 MR. EPSTEIN: Objection, was that a</p> <p>10 question?</p> <p>11 MR. TANTILLO: Yes, sir.</p> <p>12 MR. EPSTEIN: You can answer that</p> <p>13 question.</p> <p>14 THE WITNESS: The answer is that I</p> <p>15 don't know that we did this, and I don't know --</p> <p>16 if we did it, I don't know who did it, who gave</p> <p>17 this alleged guidance.</p> <p>18 BY MR. TANTILLO:</p> <p>19 Q. Would it -- would the individuals</p> <p>20 potentially be outside counsel that we've spoken about</p> <p>21 before either Mr. Josh Stein or Martha, was it</p> <p>22 Svobada?</p> <p>23 A. Svobada.</p> <p>24 Q. Svobada, excuse me.</p> <p>25 A. If this was given, it was given by one of</p>	<p>Page 65</p> <p>1 Q. When you're -- when the OMSO was</p> <p>2 evaluating those metrics, were those metrics done on a</p> <p>3 entire loan population, or were they done on various</p> <p>4 pools, for example, maybe MSP, VLS, Recovery 1?</p> <p>5 MR. PISTILLI: Objection to form.</p> <p>6 MR. EPSTEIN: Objection to form.</p> <p>7 THE WITNESS: The policies and</p> <p>8 procedures metrics that I can remember were</p> <p>9 metrics with regard to the entire mortgage</p> <p>10 servicing operation of the -- each servicer.</p> <p>11 BY MR. TANTILLO:</p> <p>12 Q. So either yes or no, they would -- they</p> <p>13 were in compliance or they weren't regarding those?</p> <p>14 A. Yes.</p> <p>15 Q. For example, somebody -- a single point of</p> <p>16 contact or --</p> <p>17 A. There was -- single point of contact was</p> <p>18 one, as I recall it. There were two others and,</p> <p>19 I'm -- third-party vendors was one, and I forget the</p> <p>20 third.</p> <p>21 Q. Do you know if the Recovery 1 system of</p> <p>22 records was able to have a single point of contact?</p> <p>23 MR. EPSTEIN: Objection to form.</p> <p>24 MR. PISTILLI: Join.</p> <p>25 THE WITNESS: I only know what we</p>



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 66</p> <p>1 tested, and what we tested was overall policy</p> <p>2 with -- with the -- all servicers.</p> <p>3 BY MR. TANTILLO:</p> <p>4 Q. Did you have a custom or customary way in</p> <p>5 which you would work with various IRGs, various</p> <p>6 servicers, to negotiate the work plans?</p> <p>7 A. Well, first and foremost, we negotiated</p> <p>8 the basic work plan template with all servicers</p> <p>9 together. The entire -- well, the protocols that we</p> <p>10 employed -- by "we" I mean myself and my colleagues</p> <p>11 and -- and counsel, particularly counsel -- was to</p> <p>12 negotiate a broad overall set of protocols under which</p> <p>13 we would implement our monitoring function. We fine</p> <p>14 tuned, somewhat, in the case of each servicer to the</p> <p>15 extent necessary to reflect differences in their</p> <p>16 systems.</p> <p>17 Q. And was it for OMSO to determine who was</p> <p>18 in compliance with these various servicing standards</p> <p>19 of metrics in the way you were talking about?</p> <p>20 MR. EPSTEIN: Objection to form.</p> <p>21 THE WITNESS: Well, as I said to you</p> <p>22 before, we determined compliance with the</p> <p>23 servicing standards through the metrics testing</p> <p>24 I described previously.</p> <p>25</p>	<p style="text-align: right;">Page 68</p> <p>1 question.</p> <p>2 BY MR. TANTILLO:</p> <p>3 Q. The liens, obviously, at RC -- excuse me.</p> <p>4 The liens at RCV1 were released. Was</p> <p>5 the -- was it possible for Chase, for example, to</p> <p>6 obtain credit on these lien in both settlements?</p> <p>7 MR. EPSTEIN: Objection to form.</p> <p>8 MR. PISTILLI: Join.</p> <p>9 THE WITNESS: I can't answer that</p> <p>10 question, because it's -- it's -- it was --</p> <p>11 Chase sought -- and there's a public record on</p> <p>12 this. We have -- we have published -- a</p> <p>13 published report to the court on consumer relief</p> <p>14 for all servicers, and I've published public</p> <p>15 reports about all servicers and the forms of</p> <p>16 relief they sought and the amounts they were</p> <p>17 granted is public.</p> <p>18 And that's -- the source of those loans</p> <p>19 were -- were looked at at the time we did the</p> <p>20 validation work. But it was a question -- what</p> <p>21 we reported on was the overall result. If</p> <p>22 you're asking whether the same loan could be</p> <p>23 credited in both, the answer -- for the same</p> <p>24 relief, the answer to that would be no.</p> <p>25</p>
<p style="text-align: right;">Page 67</p> <p>1 BY MR. TANTILLO:</p> <p>2 Q. Did OMSO require the servicers to undergo</p> <p>3 what may be called a lien scrub?</p> <p>4 A. No.</p> <p>5 Q. So that was something that the servicers</p> <p>6 would do on their own?</p> <p>7 MR. PISTILLI: Objection, foundation.</p> <p>8 THE WITNESS: I don't know.</p> <p>9 BY MR. TANTILLO:</p> <p>10 Q. What was the sequence of events or</p> <p>11 requirements to enable a loan that, let's say, was</p> <p>12 charged off to obtain credits under the various</p> <p>13 settlements?</p> <p>14 A. It would depend. It would depend on the</p> <p>15 nature of the loan itself, when the relief was</p> <p>16 granted, what category of relief was being sought. It</p> <p>17 was -- and it was a variety of -- and whether the</p> <p>18 relief had been granted appropriately and credited --</p> <p>19 and properly credited.</p> <p>20 Q. Was it possible for RCV1 loans or liens to</p> <p>21 be intact and then released at the same time? Were</p> <p>22 there -- was that a possibility?</p> <p>23 MR. PISTILLI: Objection to form.</p> <p>24 MR. EPSTEIN: Objection to form.</p> <p>25 THE WITNESS: I don't understand the</p>	<p style="text-align: right;">Page 69</p> <p>1 BY MR. TANTILLO:</p> <p>2 Q. So it was not possible for one loan</p> <p>3 number, let's say 1234, to receive credit in the</p> <p>4 National Mortgage Settlement and then 1234 to receive</p> <p>5 credit in the RMBS settlement?</p> <p>6 MR. PISTILLI: Objection, misstates</p> <p>7 prior testimony.</p> <p>8 THE WITNESS: This is all very</p> <p>9 hypothetical. It would depend, frankly. There</p> <p>10 were some loans as -- if a short -- if a second</p> <p>11 lien was expunged in connection with a short</p> <p>12 sale, there may have been instances where short</p> <p>13 sale relief was granted and second lien</p> <p>14 expungement relief was granted. And it's</p> <p>15 possible it could have been the two different</p> <p>16 settlements, but I -- I don't know whether it</p> <p>17 was or not.</p> <p>18 BY MR. TANTILLO:</p> <p>19 Q. Were bankruptcy loans subject to consumer</p> <p>20 relief credit?</p> <p>21 A. Loans of debtors in bankruptcy could</p> <p>22 receive consumer relief credit.</p> <p>23 Q. And were you aware of any RCD1 loans or</p> <p>24 Recovery 1 system loans that received credit that were</p> <p>25 in bankruptcy?</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 70</p> <p>1 A. I'm not aware of that, no. That's to say</p> <p>2 I don't know.</p> <p>3 Q. With regards to the Recovery 1 system of</p> <p>4 loans, did you ever at any time notify other</p> <p>5 regulators such as Department of Justice or the</p> <p>6 Consumer Financial Protection Bureau of the fact that</p> <p>7 the Recovery 1 loans were not being serviced?</p> <p>8 MR. EPSTEIN: Objection to form.</p> <p>9 MR. PISTILLI: Join.</p> <p>10 THE WITNESS: No.</p> <p>11 BY MR. TANTILLO:</p> <p>12 Q. Was there a reason why you didn't do so?</p> <p>13 MR. EPSTEIN: Same objection.</p> <p>14 THE WITNESS: I didn't -- your question</p> <p>15 is about did I know they weren't being serviced,</p> <p>16 and the answer is I didn't know that.</p> <p>17 BY MR. TANTILLO:</p> <p>18 Q. You previously stated that only loans that</p> <p>19 have an intact lien can be serviced; is that correct?</p> <p>20 MR. EPSTEIN: Objection to form.</p> <p>21 THE WITNESS: What was said was a</p> <p>22 predicate of the servicing -- the application of</p> <p>23 servicing standards was that there be, yeah, an</p> <p>24 intact lien, that it be -- there be a mortgage.</p> <p>25 It was a mortgage settlement, and so there had</p>	<p style="text-align: right;">Page 72</p> <p>1 relief?</p> <p>2 A. It was --</p> <p>3 MR. PISTILLI: Object to the form.</p> <p>4 THE WITNESS: It was -- it was possible</p> <p>5 to do that.</p> <p>6 BY MR. TANTILLO:</p> <p>7 Q. And if they had released the liens prior</p> <p>8 to the beginning of the settlement, wouldn't they have</p> <p>9 been able to obtain consumer relief on those releases?</p> <p>10 A. No.</p> <p>11 Q. Did you see a equivalent system of records</p> <p>12 similar to Recovery 1 with other banks?</p> <p>13 A. We did a thorough review of the systems of</p> <p>14 all of the servicers as part of our -- our --</p> <p>15 establishment of our protocols, our infrastructure. I</p> <p>16 don't recall the structure, myself, of any of the</p> <p>17 other servicers.</p> <p>18 Q. So you weren't aware of other servicers</p> <p>19 having a system of records of charge-off loans</p> <p>20 or . . .</p> <p>21 Let's leave the question.</p> <p>22 MR. PISTILLI: I object to the form,</p> <p>23 misstates prior testimony.</p> <p>24 THE WITNESS: Well, each of the</p> <p>25 servicers charged off loans, and they were</p>
<p style="text-align: right;">Page 71</p> <p>1 to be a mortgage.</p> <p>2 BY MR. TANTILLO:</p> <p>3 Q. So under that theory, loans that were</p> <p>4 within the Recovery 1 system that were lien released</p> <p>5 could have not received consumer relief credit?</p> <p>6 MR. PISTILLI: Object to the form,</p> <p>7 misstates prior testimony, calls for a legal</p> <p>8 conclusion.</p> <p>9 THE WITNESS: That, it depends on</p> <p>10 when -- I don't think I can say that, no. If --</p> <p>11 if there was -- if there was a valid lien that</p> <p>12 was released, a servicer could obtain credit for</p> <p>13 the release of that loan. Now, it wasn't a</p> <p>14 significant amount of release. It was -- if</p> <p>15 that was all there was, it was pretty -- it was</p> <p>16 a very, very -- on the scoring system was a very</p> <p>17 small amount of credit.</p> <p>18 You had to have an existing loan, an</p> <p>19 intact loan, before the relief was given and</p> <p>20 claimed, and the -- and then you could claim the</p> <p>21 relief if it were within -- granted within the</p> <p>22 time periods.</p> <p>23 BY MR. TANTILLO:</p> <p>24 Q. So if the lien was intact during the time</p> <p>25 periods of the settlement, were they able to obtain</p>	<p style="text-align: right;">Page 73</p> <p>1 accounted for in a system that each of them had.</p> <p>2 But the precise nature of those systems and how</p> <p>3 they did it would vary between servicers,</p> <p>4 probably. I say "probably," again, because I</p> <p>5 don't recall the specifics.</p> <p>6 BY MR. TANTILLO:</p> <p>7 Q. Were you aware of instances where prior to</p> <p>8 the entry of the starting date of the NMS and the RMBS</p> <p>9 settlements that servicers would release loans so they</p> <p>10 would not be subject to metric testing?</p> <p>11 A. I don't remember specifics. We -- in each</p> <p>12 case of each servicer we did a -- we did a careful</p> <p>13 review to make sure that they -- we did not give</p> <p>14 credit for that kind of situation.</p> <p>15 Q. So in the event that they had done that,</p> <p>16 they would not receive credit for those loans?</p> <p>17 A. They should not receive credit.</p> <p>18 Q. Would you -- would it have surprised you</p> <p>19 if various servicers had released liens prior to entry</p> <p>20 into the National Mortgage Settlement?</p> <p>21 A. I don't -- well, I don't think "surprised"</p> <p>22 is the right word. Our job was to determine that we</p> <p>23 did not give credit in those circumstances.</p> <p>24 Q. And let me ask you, how would you do that?</p> <p>25 How would you know if a servicer had previously</p>



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 74</p> <p>1 released a lien and then subsequently tried to obtain 2 credit for it?</p> <p>3 A. All the information we had that we used, 4 and there was an extensive protocol developed with 5 each servicer to determine whether and how much credit 6 should be given, was gone through in each case. But 7 in each case, it was determined with regard -- by 8 reference to the system of record itself.</p> <p>9 Q. Was it possible to compare the loan data 10 based on loan numbers, or how was that done? Was 11 it -- was it done through a particular identification 12 requirement?</p> <p>13 A. Both.</p> <p>14 MR. PISTILLI: Object to the form. 15 THE WITNESS: Both.</p> <p>16 BY MR. TANTILLO:</p> <p>17 Q. It was done through loan number and what 18 other method?</p> <p>19 A. We had -- it was mainly through loan 20 number. But we took careful steps to assure that we 21 knew -- we -- to identify a loan and to follow its 22 history through the servicer's system of record. But 23 we -- and we would rely on the -- and if necessary, 24 and I don't know in this case what else we -- whether 25 we did something else, I don't remember that we did --</p>	<p style="text-align: right;">Page 76</p> <p>1 BY MR. TANTILLO:</p> <p>2 Q. Mr. Smith, have you reviewed Plaintiffs' 3 Exhibit Number 7?</p> <p>4 MR. EPSTEIN: 8. 5 THE WITNESS: 8. 6 MR. TANTILLO: 8, I apologize.</p> <p>7 BY MR. TANTILLO:</p> <p>8 Q. Was this the type of certification that 9 you would receive?</p> <p>10 A. This appears to be a certification that -- 11 it's actually not addressed to me, but it does refer 12 to the National Mortgage Settlement.</p> <p>13 Q. Was this similar to the types of 14 certifications that you would receive from time to 15 time?</p> <p>16 A. This is a certification we received.</p> <p>17 Q. And within that certification it, 18 obviously, talks about various things that they did in 19 order to comply with the settlement, obviously, in 20 terms of intact lien validations. Was that a 21 requirement that your office had in order for them to 22 ensure the various systems of record were being 23 reviewed and, obviously, in terms of the fact that 24 there was actually an intact lien? 25 MR. EPSTEIN: Objection to form.</p>
<p style="text-align: right;">Page 75</p> <p>1 perhaps, require additional information to assure 2 ourselves that the loan was intact, for example, and a 3 bunch -- and a number of other things. Then determine 4 how much relief had been given and -- and whether the 5 credit was proper -- the amount of the credit was 6 proper.</p> <p>7 Q. And how would a servicer either notify you 8 or certify that, for example, a lien was intact, as 9 just one example?</p> <p>10 A. I can't give you details about that. It 11 was -- we would do it by reference, again, through our 12 agreed protocols, to the corporate records of the 13 servicer through which we would determine that the 14 lien had been intact.</p> <p>15 Q. Did the various servicers require -- did 16 you require them to file certifications from various 17 individuals?</p> <p>18 A. There were circumstances where we did. I 19 don't recall all of them.</p> <p>20 Q. And why would they need to file a type of 21 certification with the --</p> <p>22 A. It depends. It varies. And I don't 23 recall the details.</p> <p>24 (EXHIBIT NUMBER 8 WAS MARKED FOR IDENTIFICATION) 25</p>	<p style="text-align: right;">Page 77</p> <p>1 MR. PISTILLI: Objection to form. 2 THE WITNESS: I'm not going to 3 speculate on this. It's, clearly, we had -- 4 there was a purpose for which we had -- we may 5 well have sought assurance that liens had been 6 released. It is not clear to me -- well, it 7 says -- this probably does refer -- I don't want 8 to speculate -- to eCredit as a specific kind 9 of -- of consumer relief credit.</p> <p>10 BY MR. TANTILLO:</p> <p>11 Q. What was --</p> <p>12 A. Second lien -- yeah, okay, for second 13 lien -- second lien extinguishments. The issue was 14 how to establish for second liens that had been 15 extinguished -- where they claimed credit for an 16 extinguishment of a second lien, how to -- how to 17 determine that the lien had been valid -- intact to 18 start and had, then, been completely -- well, had been 19 released.</p> <p>20 Q. And what was the concern for OMSO 21 regarding that?</p> <p>22 MR. PISTILLI: Object to the form. 23 THE WITNESS: It was merely -- it was 24 merely a form of evidence to assure ourselves 25 that the actions that had been taken under</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>Page 78</p> <p>1 Section 2E of the consumer relief menu or, 2 perhaps, the consumer relief exhibit had been 3 done. 4 BY MR. TANTILLO: 5 Q. And in order for a servicer to obtain 6 relief under 2E, what requirements were required? 7 A. I'd have to look at the -- at the, you 8 know, the schedule again. I'm reasonably confident 9 that this is -- this regards seeking credit for the 10 expungement of a loan. And I don't recall whether 11 it's -- whether this -- this relief relates also to 12 the -- how far past due it was. 2E, as I recall it, 13 was 180 days past due, and the relief was -- the 14 amount of relief was fairly small. 15 Q. Was there a provision in either the 16 National Mortgage Settlement or in the RMBS settlement 17 where a servicer could obtain relief under what this 18 document calls HUD Consumer Relief Program? 19 A. The National Mortgage Settlement contained 20 a menu -- well, first of all, it had a -- it had a -- 21 an exhibit that described in detail the kinds of 22 consumer relief for which credit would be given. It, 23 then, had a menu attached to that exhibit which gave 24 some additional detail and also disclosed how much -- 25 how much credit would be given for each category of</p>	<p>Page 80</p> <p>1 relief? 2 A. May have been, I don't recall. 3 (EXHIBIT NUMBER 9 WAS MARKED FOR IDENTIFICATION) 4 MR. EPSTEIN: Thank you. 5 MR. TANTILLO: Yes, sir. 6 THE WITNESS: I take it you want me to 7 review this? 8 BY MR. TANTILLO: 9 Q. Yes, sir, I apologize. 10 (WITNESS REVIEWS DOCUMENT) 11 A. Yes. 12 Q. Mr. Smith, do you recognize Government's 13 Exhibit Number 9 -- I'm sorry, as Government -- 14 A. I'm sorry? 15 Q. Sorry, Prosecutor. 16 Do you remember -- have you -- have you 17 reviewed that document -- I'm sorry, have reviewed -- 18 A. Yes. 19 Q. -- Plaintiffs' Exhibit Number 9? 20 A. I have. 21 Q. And it mentions in there, once again, this 22 HUD Consumer Relief Program. 23 MR. EPSTEIN: Wait, wait for a 24 question. 25 THE WITNESS: Thank you.</p>
<p>Page 79</p> <p>1 relief. 2 Q. However, was there a particular part of -- 3 either of the RMBS settlement or the National Mortgage 4 Settlement that related to something called HUD 5 Consumer Relief? 6 MR. PISTILLI: Objection. 7 THE WITNESS: I don't recall -- I don't 8 recall that it was. 9 MR. PISTILLI: And that -- the 10 objection was it calls for a legal conclusion. 11 BY MR. TANTILLO: 12 Q. Regarding the RMBS settlements, was Chase 13 able to receive credit for lien releases in what's 14 called hardest hit areas? 15 A. Chase was able to receive credit for -- I 16 thought it was -- my recollection is for credit 17 extended in hardest hit areas. 18 Q. And "credit extended" meaning what? 19 A. Meaning new loans. 20 Q. New loans? 21 A. Yes. Or -- but I -- again, I'd -- I would 22 rather refer to the document itself. There was -- 23 there was credit allowed for relief in hardest hit 24 areas. 25 Q. And was a lien release part of that</p>	<p>Page 81</p> <p>1 BY MR. TANTILLO: 2 Q. The HUD Consumer Relief Program, do you 3 know what they're talking about here? 4 A. I believe that they are talking about the 5 RMBS settlement. They distinguished between the NMS 6 settlement which they called the DOJ settlement and 7 the RMBS settlement which they called the HUD 8 settlement. They called the internal review group in 9 the NMS the internal review group -- I've been 10 chastised by Mr. Epstein about this -- the IRG. And 11 they called it the -- it's equivalent in the Chase 12 document, the HRG for HUD. 13 Q. So, once again, they -- you were -- your 14 office was requiring them to ensure that they had lien 15 validations over various periods of time, because 16 it's -- obviously, this is a different date than 17 Plaintiffs' Exhibit Number, I believe, 8? 18 MR. PISTILLI: Objection to form and -- 19 MR. EPSTEIN: Objection to form. 20 THE WITNESS: Well, it's -- 21 MR. PISTILLI: -- also lacks 22 foundation. 23 THE WITNESS: This was a document, 24 clearly, delivered in -- well, clearly, probably 25 delivered in connection with the RMBS settlement</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Page 82

1 and deals with the validation of liens.

2 BY MR. TANTILLO:

3 Q. And under the RMBS settlement, how --

4 obviously, there was a menu of options that -- that

5 Chase had to obtain credit. One of those menu options

6 was releasing the first lien?

7 A. Although, it's -- in -- in almost every

8 case in almost every settlement first lien loans were

9 modified. There may have been some cases where a

10 first lien was expunged, but they're very few. Most

11 of the -- most of the expungement activity was for

12 second lien loans.

13 (EXHIBIT NUMBER 10 WAS MARKED FOR IDENTIFICATION)

14 MR. PISTILLI: Same question. The

15 yellow highlighting on this document, do you

16 know where that comes from?

17 MR. TANTILLO: I don't, but I'll make

18 sure that it doesn't happen again.

19 (WITNESS REVIEWS DOCUMENT)

20 BY MR. TANTILLO:

21 Q. Mr. Smith, have you reviewed Plaintiffs'

22 Exhibit Number 10?

23 A. Yes.

24 Q. Regarding this document, it states that:

25 (Reading)

Page 83

1 There is approximately 699,000

2 loans that are still in the Recovery 1

3 on or about October 1st of 2014.

4 Was there a directive by your office to

5 release these liens?

6 MR. PISTILLI: Object to the form.

7 THE WITNESS: As I believe I said

8 before, I don't know that we directed any

9 release of liens. There may have been an

10 agreement to -- for release of liens. I don't

11 know what purpose this -- this certification --

12 or this document has been generated for. If --

13 some prior exhibits discussed an agreement

14 regarding inclusion or noninclusion in metrics

15 testing, but it's not clear to me why this was

16 prepared.

17 BY MR. TANTILLO:

18 Q. Did the -- do you recall whether or not

19 the Office of Mortgage Settlement required Chase to

20 bring the entire Recovery 1 population in on

21 September 30th of 2014?

22 A. I do not recall that.

23 Q. Was there a period of time in which your

24 office counseled, obviously not directed, Chase to

25 bring these loans into metric testing?

Page 84

1 A. As previously -- as I have previously

2 testified, there was a determination to include

3 Recovery 1 loans in metrics testing if they had,

4 according to the documentation, if they had an extent

5 lien, an existing lien.

6 Q. So long as there was not an extent lien,

7 the lien you released, these loans would have not have

8 been subject to metrics testing?

9 A. That's correct.

10 (EXHIBIT NUMBER 11 WAS MARKED FOR IDENTIFICATION)

11 MR. PISTILLI: Same question regarding

12 the yellow highlighting, and I assume the same

13 answer unless you tell me otherwise.

14 MR. TANTILLO: It's the same answer,

15 Mr. Pistilli. But as I assure you, it won't

16 happen again.

17 MR. PISTILLI: Yellow highlighting is

18 not a problem, I just want to establish my

19 record that the document that's being shown has

20 been changed from the version in which it was

21 produced.

22 (WITNESS REVIEWS DOCUMENT)

23 BY MR. TANTILLO:

24 Q. Mr. Smith, have you had a chance to review

25 Exhibit Number 11?

Page 85

1 A. Yes.

2 Q. Does that document in any way refresh your

3 recollection at all about the inclusion of these loans

4 into metrics testing?

5 A. As regards what we did, the answer is no.

6 (EXHIBIT NUMBER 12 WAS MARKED FOR IDENTIFICATION)

7 MR. PISTILLI: This is my copy.

8 MR. TANTILLO: Let you label it.

9 MR. PISTILLI: Same observation

10 regarding the highlighting of the document.

11 MR. TANTILLO: I'll have the same

12 response.

13 MR. PISTILLI: Is this the same as

14 Exhibit 5, Counsel?

15 MR. EPSTEIN: I was thinking --

16 THE WITNESS: This looks very similar

17 to a document we've already gone over.

18 MR. EPSTEIN: It is.

19 MR. TANTILLO: I apologize.

20 Yes, it is, sir.

21 BY MR. TANTILLO:

22 Q. Regarding -- I'm sure you just reviewed

23 this document again.

24 A. Well, actually not.

25 Q. Oh, Number 12. All right. I'll let you

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>1 take a look, Mr. Smith.</p> <p>2 (WITNESS REVIEWS DOCUMENT)</p> <p>3 A. Yes, all right.</p> <p>4 Q. Mr. Smith, this document refers to an</p> <p>5 extension of a date and to April 1st of 2014. Do you</p> <p>6 recall that at all?</p> <p>7 A. No.</p> <p>8 Q. Do you know who in your office would have</p> <p>9 provided an extension?</p> <p>10 A. Well, I would have done it on the basis of</p> <p>11 discussion with counsel.</p> <p>12 Q. And that would have been either somebody</p> <p>13 from this office, Poyner Spruill, or was it</p> <p>14 Leatherwood?</p> <p>15 MR. EPSTEIN: Smith Moore.</p> <p>16 THE WITNESS: Smith Moore Leatherwood,</p> <p>17 yeah.</p> <p>18 BY MR. TANTILLO:</p> <p>19 Q. And beyond those individuals, would you</p> <p>20 have also asked your third-party servicers, the people</p> <p>21 at BDO or Grant Thornton --</p> <p>22 A. No.</p> <p>23 Q. -- about that decision?</p> <p>24 A. No.</p> <p>25 Q. Now, was it customary or common for your</p>	<p>Page 86</p> <p>1 IRG representatives of the servicer, or could you be</p> <p>2 in direct contact with people at the line of business</p> <p>3 level?</p> <p>4 MR. PISTILLI: Object to the form.</p> <p>5 MR. EPSTEIN: And, again, by "you" you</p> <p>6 mean Joe Smith, OMSO and all affiliated people?</p> <p>7 MR. TANTILLO: Yes, sir.</p> <p>8 THE WITNESS: In most -- in the</p> <p>9 majority of cases my colleagues were in contact</p> <p>10 with the internal review groups, the people</p> <p>11 outside the operation. There were some meetings</p> <p>12 where my operational people met with both the</p> <p>13 IRG and the servicer operations personnel. But</p> <p>14 that was to iron out tech -- any technical --</p> <p>15 those were very technical meetings, iron out</p> <p>16 technical issues.</p> <p>17 BY MR. TANTILLO:</p> <p>18 Q. So would it be fair to say, generally, you</p> <p>19 were in communication with representatives of the</p> <p>20 servicers' IRG?</p> <p>21 A. Yes. In general, yes.</p> <p>22 Q. Now, were you aware of any sort of cross</p> <p>23 communication with sort of the IRG and the line of</p> <p>24 business people in relation to the duties to fulfill</p> <p>25 these settlements?</p>
<p>Page 87</p> <p>1 office to be in direct contact with the servicer</p> <p>2 regarding issues like these?</p> <p>3 A. We were in contact with all servicers on a</p> <p>4 regular basis. First of all, we did -- the validation</p> <p>5 process itself had us in almost continuous contact</p> <p>6 with the servicers. If there were issues of policy,</p> <p>7 we, generally, dealt with all of them together, not</p> <p>8 individually.</p> <p>9 Q. Was there a particular flow of information</p> <p>10 and how it would reach to you? Would it go from the</p> <p>11 IRG to BDO to Grant Thornton to you, or was there a</p> <p>12 way that the servicers could contact you directly and</p> <p>13 ask these sorts of questions about metrics testing?</p> <p>14 MR. EPSTEIN: Well, objection to form.</p> <p>15 By "you" do you mean you Joe Smith, or do you</p> <p>16 mean OMSO?</p> <p>17 MR. TANTILLO: You Joe Smith and OMSO.</p> <p>18 THE WITNESS: There was a constant flow</p> <p>19 of discussion about issues regarding the</p> <p>20 implementation of the settlement. And the</p> <p>21 initial contacts could have come either --</p> <p>22 probably would have -- could have come through a</p> <p>23 number of those channels you just mentioned.</p> <p>24 BY MR. TANTILLO:</p> <p>25 Q. Now, were you only able to interact with</p>	<p>Page 88</p> <p>1 MR. EPSTEIN: Objection to form.</p> <p>2 MR. PISTILLI: Join.</p> <p>3 THE WITNESS: There did have to be</p> <p>4 contact between the IRG and the -- and the --</p> <p>5 and the management to assure that the -- that</p> <p>6 the management understood what it was supposed</p> <p>7 to do, because the initial presentation of</p> <p>8 information was from the management's</p> <p>9 information. So there were contacts.</p> <p>10 BY MR. TANTILLO:</p> <p>11 Q. As you understand it and from your own</p> <p>12 experience, was the data that you were receiving from</p> <p>13 the various servicers as well as Chase, in particular,</p> <p>14 was that being done in an independent way with --</p> <p>15 inside the bank or the servicer, or was it being drawn</p> <p>16 from the management and line of business?</p> <p>17 MR. PISTILLI: Objection to form.</p> <p>18 MR. EPSTEIN: Objection to form.</p> <p>19 THE WITNESS: All information that was</p> <p>20 used to develop populations, to develop the</p> <p>21 background information on the basis of which</p> <p>22 both monitoring was done and consumer relief was</p> <p>23 done, was developed through management</p> <p>24 information systems that were under control of</p> <p>25 the management. There was contact between the</p>



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>Page 90</p> <p>1 IRG and the management to determine the</p> <p>2 populations were correctly defined and that the</p> <p>3 populations were correctly pooled and the -- and</p> <p>4 to determine -- and there were also issues when</p> <p>5 the IRG found, and this was for all servicers as</p> <p>6 they often -- well, not often, but sometimes</p> <p>7 did, that a loan had not passed, was not able --</p> <p>8 for metrics testing had not passed.</p> <p>9 There were discussions between the --</p> <p>10 the IRG and the servicer and management about</p> <p>11 whether that was a correct determination or not.</p> <p>12 And we reviewed all that. I mean, we were aware</p> <p>13 of those conversations. And then we did our own</p> <p>14 validation which was entirely separate from</p> <p>15 either of those two entities.</p> <p>16 BY MR. TANTILLO:</p> <p>17 Q. The samples that you just spoke of, was</p> <p>18 there a certain percentage of loans that were sampled</p> <p>19 from various buckets or various systems of record, or</p> <p>20 was it just --</p> <p>21 A. What --</p> <p>22 MR. EPSTEIN: Let him finish his</p> <p>23 question.</p> <p>24 BY MR. TANTILLO:</p> <p>25 Q. -- or hypothetically 1 percent of all</p>	<p>Page 92</p> <p>1 ourselves and my people who know this stuff satisfied</p> <p>2 themselves, that the samples were drawn in a random</p> <p>3 method from a properly -- as far -- as best we could</p> <p>4 tell a properly determined population, and the test --</p> <p>5 the testing was then applied to that random sample.</p> <p>6 Q. Understood.</p> <p>7 Was there a certain percentage that was</p> <p>8 used?</p> <p>9 A. It -- the number depended -- no. The</p> <p>10 short answer to that is no.</p> <p>11 Q. Was it proportionally done by the number</p> <p>12 of loans that were in the population?</p> <p>13 A. Yes.</p> <p>14 Q. And let's move to consumer relief. Was a</p> <p>15 similar type of sampling process used for consumer</p> <p>16 relief?</p> <p>17 A. In consumer relief the management would</p> <p>18 assert that it had given relief on a defined number of</p> <p>19 loans which I guess you would also call a -- a</p> <p>20 population. It would be divided by forms of relief.</p> <p>21 So first lien relief, they would submit. That was one</p> <p>22 population. Second lien relief or expungement is</p> <p>23 another population. Short sales and other was a third</p> <p>24 population.</p> <p>25 And a statistically valid random sample</p>
<p>Page 91</p> <p>1 loans in Chase's system of records.</p> <p>2 MR. PISTILLI: Object to the form.</p> <p>3 THE WITNESS: I will need you to be</p> <p>4 more specific about that. Are we talking about</p> <p>5 metrics testing or consumer relief?</p> <p>6 BY MR. TANTILLO:</p> <p>7 Q. I'm talking about metrics testing, and</p> <p>8 then we can go to consumer relief.</p> <p>9 In terms of metrics testing, when you</p> <p>10 received a sample, do you know the sample size in</p> <p>11 terms of percentages that were used in order to</p> <p>12 conduct the metrics testing?</p> <p>13 A. Yes.</p> <p>14 Q. And what was that sample size?</p> <p>15 A. The sample size would depend on the</p> <p>16 population, the number of total loans in the</p> <p>17 population. The sample was then drawn based on an</p> <p>18 agreed protocol between the operating management, the</p> <p>19 IRG and the SPF and PPF, my people, to -- to derive a</p> <p>20 random -- randomized sample -- statistically valid</p> <p>21 randomized sample from the population for the metric</p> <p>22 in question.</p> <p>23 And that the statistical analysts had an</p> <p>24 agreed protocol which is apparently is -- and this is</p> <p>25 not my field, but I was satisfied and we satisfied</p>	<p>Page 93</p> <p>1 was drawn for each of those separate populations, and</p> <p>2 it was -- it was tested to determine whether the loan</p> <p>3 was an appropriate loan for relief of any kind or of</p> <p>4 the kind given, whether the kind of relief given was</p> <p>5 given within the time frame for which was authorized</p> <p>6 and -- and was done in accordance with the</p> <p>7 requirements of the settlement. There were</p> <p>8 requirements about what kinds of loans could be</p> <p>9 included and how much relief -- how the relief had to</p> <p>10 be given.</p> <p>11 And the third thing was, had the -- had</p> <p>12 the management and the IRG given the proper amount of</p> <p>13 credit with regard to each of the loans for which</p> <p>14 relief had been granted. And if, in this case, the</p> <p>15 error -- the total error rate for any of those</p> <p>16 populations exceeded 1 percent, they would turn --</p> <p>17 they were returned and not -- credit was not given for</p> <p>18 the entire population. They had to do it over.</p> <p>19 That's for all servicers.</p> <p>20 Q. Did OMSO ever receive from a servicer all</p> <p>21 of the raw data of every single loan that, let's say</p> <p>22 Chase for example, took credit for?</p> <p>23 A. I don't know what you mean.</p> <p>24 Q. Do you have in your possession or does one</p> <p>25 of your third-party servicer-type people, do they have</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Page 94

1 in their possession a list of every single lien for  
2 which Chase took credit?  
3 A. Chase has that information.  
4 Q. But you do not?  
5 A. I do not believe we have it now.  
6 Q. Was there a point in time when you did  
7 have that information?  
8 A. We never took possession of information,  
9 data, specific information regarding any of the loans.  
10 We reviewed them in data rooms, and we did not -- and  
11 this is, by the way, is all in our published reports.  
12 We made it clear we did not take possession, we  
13 reviewed it through -- through review, I think were  
14 called review rooms that were set up in the data  
15 system of the -- all the servicers.  
16 Q. In order for you and OMSO to feel as if  
17 the credit -- the crediting process was appropriate,  
18 you relied on the samples they provided you of the  
19 crediting?  
20 MR. PISTILLI: Objection.  
21 THE WITNESS: We determined that the  
22 sample had been properly pooled, and we -- and  
23 we -- we, then, did testing based on the data  
24 that was given to us, yes.  
25 MR. TANTILLO: One moment, please.

Page 95

1 MR. SCHNEIDER: Everybody waiting on  
2 me, sorry.  
3 BY MR. TANTILLO:  
4 Q. Do you know if the sampling that was done  
5 and the crediting that was done in any way violated  
6 the Equal Credit Opportunity Act?  
7 MR. PISTILLI: Object to the form.  
8 THE WITNESS: For what? What are we --  
9 again, you have to be more specific. Are you  
10 talking about consumer relief or metrics?  
11 BY MR. TANTILLO:  
12 Q. Consumer relief.  
13 A. The consumer relief that was granted was  
14 not the -- on the entire portfolio that Chase had. It  
15 was a -- it was selected -- I mean, it was -- it was a  
16 significant but not the complete sample of -- I mean,  
17 it wasn't every loan they had. We were not -- and we  
18 were not empowered and did not do a fair lending test.  
19 Q. So you weren't aware if -- yeah, you said  
20 there was no fair lending test done --  
21 A. No.  
22 Q. -- on what was done in consumer relief.  
23 How about the metrics testing, was there a fair  
24 lending test on those?  
25 A. There was not.

Page 96

1 Q. All right.  
2 MR. TANTILLO: Do you guys want to  
3 break for lunch?  
4 THE WITNESS: How much more?  
5 MR. EPSTEIN: That's the question, if  
6 you're going to be another 30 minutes, no. If  
7 you're going to be more than 30 minutes, then,  
8 yes.  
9 MR. DI MARCO: More than 30.  
10 THE VIDEOGRAPHER: The time now is  
11 12:21 p.m., and we will be going off record.  
12 (RECESS TAKEN)  
13 THE VIDEOGRAPHER: The time now is  
14 1:32 p.m., and we are back on record. You may  
15 begin.  
16 BY MR. TANTILLO:  
17 Q. Mr. Smith, I want to show you what we've  
18 marked as Plaintiffs' Number 13, and let counsel for  
19 Defendants review the document.  
20 (EXHIBIT NUMBER 13 WAS MARKED FOR IDENTIFICATION)  
21 MR. PISTILLI: I will just comment  
22 again that it has the yellow highlighting that  
23 was not in the produced version.  
24 MR. TANTILLO: Our position, as I said  
25 previously --

Page 97

1 MR. PISTILLI: You don't need a  
2 position on it. I'm just noting for the record  
3 what the document is --  
4 MR. EPSTEIN: Can I get a copy, please?  
5 MR. PISTILLI: -- as well.  
6 (WITNESS REVIEWS DOCUMENT)  
7 BY MR. TANTILLO:  
8 Q. Mr. Smith, have you reviewed Number 13?  
9 A. I have.  
10 Q. Towards the bottom of the page highlighted  
11 there for you, sir, there's a statement which states  
12 in effect, I'm paraphrasing, that until the lien is  
13 released, the requirements of there being a single  
14 point of contact is still necessary. Is that your  
15 understanding as well?  
16 MR. PISTILLI: Objection --  
17 THE WITNESS: No, that's what this --  
18 MR. PISTILLI: Pardon me -- objection,  
19 lacks foundation and calls for a legal  
20 conclusion.  
21 THE WITNESS: That's what this says.  
22 BY MR. TANTILLO:  
23 Q. Was that the -- was that the law or was  
24 that the provision of the National Mortgage  
25 Settlement, was that the -- was the National Mortgage



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 98</p> <p>1 Settlement required?</p> <p>2 A. It required a single point of contact</p> <p>3 for -- at the very least, for applications for loan</p> <p>4 modification. And I don't have it here in front of</p> <p>5 me, obviously, but it may have well gone beyond that.</p> <p>6 This also does -- yeah -- yes. So the short answer,</p> <p>7 yes.</p> <p>8 Q. So for loans that -- but you said that for</p> <p>9 loans that needed to be modified or -- was there an</p> <p>10 application necessary for that?</p> <p>11 A. Well, no, it did -- it required -- and,</p> <p>12 again, it's been a while since I've read through the</p> <p>13 SPOC provisions, single point of contact, but the --</p> <p>14 the settlement required the availability of a single</p> <p>15 point of contact. It was mainly, again, in the</p> <p>16 context of the application for relief.</p> <p>17 I will say that Reg X which is the Real</p> <p>18 Estate Settlement Procedure Act, is much of what's</p> <p>19 referred to in this memo. And so I think they may</p> <p>20 well be talking also and even more about compliance</p> <p>21 with the CFPB rules than about the settlement.</p> <p>22 MR. PISTILLI: And I'm just now, again,</p> <p>23 going to renew with increased vigor my objection</p> <p>24 regarding Counsel's continued violation of</p> <p>25 Judge Francis's order limiting regarding</p>	<p style="text-align: right;">Page 100</p> <p>1 MR. TANTILLO: And secondarily,</p> <p>2 obviously, it was the lien releases and the</p> <p>3 processes and the various things that happened</p> <p>4 pursuant to these settlements which caused the</p> <p>5 harm to my clients.</p> <p>6 MR. PISTILLI: Chase's position is that</p> <p>7 you have not adequately stated any basis for</p> <p>8 pursuing this discovery at this time. It's a</p> <p>9 violation of Judge Francis's order, and we</p> <p>10 reserve all rights.</p> <p>11 But if you insist on continuing despite</p> <p>12 that fact, go ahead.</p> <p>13 BY MR. TANTILLO:</p> <p>14 Q. With regards to -- you mentioned Reg X and</p> <p>15 the substances that was within, I believe it was</p> <p>16 Number 13. I previously asked you about Reg X,</p> <p>17 obviously. And my question was, in order to comply</p> <p>18 with Regulation X, did there come a point in time when</p> <p>19 the servicers may have asked you whether or not they</p> <p>20 needed to release their first and second liens. Now</p> <p>21 having known what Reg X is, do you have any response</p> <p>22 to that?</p> <p>23 A. The answer to that question is -- I'm</p> <p>24 sorry.</p> <p>25 MR. PISTILLI: Object to form.</p>
<p style="text-align: right;">Page 99</p> <p>1 discovery in this case. I, frankly, can't see</p> <p>2 what relevance this line of questioning has to</p> <p>3 any pleaded issue in this case. And it,</p> <p>4 clearly, is not relevant to any of the narrower</p> <p>5 issues that are not subject to a stay of</p> <p>6 discovery.</p> <p>7 I'd, again, invite Plaintiffs' Counsel</p> <p>8 to make a proffer if he believes that this is</p> <p>9 somehow relevant to any of the pleaded issues in</p> <p>10 the case that are not subject to the discovery</p> <p>11 stay and reserve all of Chase's rights to seek</p> <p>12 relief from Judge Francis either during the</p> <p>13 course of this deposition or thereafter.</p> <p>14 MR. TANTILLO: Thank you, Chris. I</p> <p>15 appreciate your objection. Our proffer</p> <p>16 regarding this is two-fold. I renew my response</p> <p>17 to you regarding the fact that we -- it was</p> <p>18 Chase's violations of various federal and state</p> <p>19 laws which within the master loan purchase</p> <p>20 agreement stated that, very clearly, that Chase</p> <p>21 was in conformance with all of these laws. And</p> <p>22 it's our --</p> <p>23 MR. PISTILLI: Sorry, no connection</p> <p>24 with this line of questioning. I'm sorry, go</p> <p>25 ahead.</p>	<p style="text-align: right;">Page 101</p> <p>1 THE WITNESS: The answer to that</p> <p>2 question is no.</p> <p>3 BY MR. TANTILLO:</p> <p>4 Q. Now, the National Mortgage Settlement and</p> <p>5 RMBS settlement were pursuant and subject to the</p> <p>6 various SPAs that were implemented by the Treasury; is</p> <p>7 that correct?</p> <p>8 A. I don't understand that question.</p> <p>9 Q. Was there various regulations, for</p> <p>10 example, the HAMP and various Treasury regulations</p> <p>11 that were subsumed under the National Mortgage</p> <p>12 Settlement?</p> <p>13 MR. PISTILLI: Object to the form.</p> <p>14 THE WITNESS: The National Mortgage</p> <p>15 Settlement settled a number of claims under</p> <p>16 federal law relating, primarily, and I don't</p> <p>17 have them here with me, but they were federal</p> <p>18 consumer compliance claims and state claims</p> <p>19 regarding the handling of these loans.</p> <p>20 HAMP regulations were referred to in</p> <p>21 some provisions of the settlement, but the</p> <p>22 settlement did not enforce any HAMP requirements</p> <p>23 directly. It had its own explicit requirements</p> <p>24 which may or may not have been consistent with</p> <p>25 HAMP.</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p>1 BY MR. TANTILLO:</p> <p>2 Q. So it's your --</p> <p>3 A. And -- and -- and the -- and the RMBS</p> <p>4 settlement was about allegations of misconduct, shall</p> <p>5 we say, in the -- in the -- in the original -- in the</p> <p>6 pooling together and selling of mortgage-backed</p> <p>7 securities.</p> <p>8 Q. So it's your position that nothing within</p> <p>9 the National Mortgage Settlement required compliance</p> <p>10 with HAMP or any servicer participation agreements?</p> <p>11 A. The National Mortgage Settlement required</p> <p>12 compliance with the servicing standards set forth in</p> <p>13 the -- in the consent judgments. Any other -- any</p> <p>14 other legal requirements were not -- some legal</p> <p>15 requirements were stayed -- not stayed, but were</p> <p>16 settled by -- alleged violations of some legal</p> <p>17 requirements were settled by this compliance, but</p> <p>18 other outstanding legal obligations of mortgage</p> <p>19 lenders and servicers generally were not settled.</p> <p>20 (EXHIBIT NUMBER 14 WAS MARKED FOR IDENTIFICATION)</p> <p>21 BY MR. TANTILLO:</p> <p>22 Q. Mr. Smith, I'm going to show you what's</p> <p>23 been marked as Plaintiffs' Exhibit Number 14. I'm</p> <p>24 going to ask you to read number 11 of this.</p> <p>25 MR. EPSTEIN: Can I get a copy?</p>	<p>Page 102</p> <p>1 National Mortgage Settlement?</p> <p>2 MR. PISTILLI: Object to the form.</p> <p>3 THE WITNESS: I believe I just said,</p> <p>4 the other law prevailed. In other words, the</p> <p>5 National Mortgage Settlement provisions had to</p> <p>6 be modified or the enforcement of them had to be</p> <p>7 modified to comply with other law.</p> <p>8 BY MR. TANTILLO:</p> <p>9 Q. Was there any metrics that would determine</p> <p>10 whether or not there was compliance with the other</p> <p>11 law, the applicable laws, i.e., the service</p> <p>12 participation agreements and the HAMP?</p> <p>13 MR. PISTILLI: Object to the form.</p> <p>14 THE WITNESS: No.</p> <p>15 BY MR. TANTILLO:</p> <p>16 Q. And did your office and/or you do anything</p> <p>17 to ensure compliance with the HAMP and the service</p> <p>18 participation agreements?</p> <p>19 A. What we did with all servicers was to meet</p> <p>20 and require them to provide to us their assessment of</p> <p>21 what the applicable requirements we've just</p> <p>22 discussed -- applicable to their compliance with the</p> <p>23 settlement were. And we worked through a series of</p> <p>24 protocols and adjustments. We sought to work through</p> <p>25 protocols and adjustments necessary to ensure that we</p>
<p>Page 103</p> <p>1 MR. TANTILLO: Yes, sir.</p> <p>2 (WITNESS REVIEWS DOCUMENT)</p> <p>3 THE WITNESS: Yes, I'm familiar with</p> <p>4 this.</p> <p>5 BY MR. TANTILLO:</p> <p>6 Q. So that states that the National Mortgage</p> <p>7 Settlement was pursuant, obviously, to the HAMP and</p> <p>8 the servicers --</p> <p>9 A. No -- no, it doesn't.</p> <p>10 MR. PISTILLI: Object to the form, it</p> <p>11 calls for a legal conclusion.</p> <p>12 THE WITNESS: With respect, it does</p> <p>13 not. This provision deals with -- applicable</p> <p>14 requirements means requirements of -- from</p> <p>15 outside the settlement that could toll or limit</p> <p>16 compliance with the settlement's terms. So,</p> <p>17 yeah, if there was a conflict between the</p> <p>18 requirements of the settlement and the law</p> <p>19 referred to in this paragraph, this law</p> <p>20 prevailed. And we were required -- authorized,</p> <p>21 certainly, and probably required to amend our</p> <p>22 protocols in order to comply with the other --</p> <p>23 with the other law.</p> <p>24 BY MR. TANTILLO:</p> <p>25 Q. So which came first, the other law or the</p>	<p>Page 105</p> <p>1 wouldn't cause them not to comply.</p> <p>2 The issue really was whether compliance</p> <p>3 with the National Mortgage Settlement would require</p> <p>4 that a servicer put itself in a position of default or</p> <p>5 where it could be penalized.</p> <p>6 Q. Is there any documents which show this</p> <p>7 type of protocol to ensure that they weren't going to</p> <p>8 be in default of that service participation agreement</p> <p>9 and/or HAMP?</p> <p>10 A. We had a written protocol -- we had a</p> <p>11 written protocol, it was reviewed and agreed by all</p> <p>12 servicers and my people and me that -- that</p> <p>13 specified -- that specified where -- what the</p> <p>14 applicable requirements were. And it changed from</p> <p>15 time to time. If there were new regulations or a</p> <p>16 change in regulations, there could be a change.</p> <p>17 And there were some individual cases, not</p> <p>18 many, where applicable requirements were alleged as a</p> <p>19 basis for noncompliance or for -- or the compliance</p> <p>20 should either be waived or that it should be altered,</p> <p>21 but not many.</p> <p>22 Q. Is there a certain title for that</p> <p>23 document?</p> <p>24 A. I don't know. I don't recall. If there</p> <p>25 is, I don't recall it.</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 106</p> <p>1 Q. And who would be in possession of such a 2 document?</p> <p>3 A. It would have been in -- it might -- it 4 was in the possession of my colleagues and of me. 5 Whether it is still in our possession, I don't know. 6 Settlements are completed.</p> <p>7 Q. I want to turn to -- you previously 8 brought up or I previously brought up and you answered 9 me, the anti-blight provisions of the settlement, and 10 I think your response was to the consumer relief 11 aspect of it. Was there a metrics testing aspect of 12 the anti-blight requirements?</p> <p>13 A. No.</p> <p>14 Q. So there was no metric that -- that took 15 into effect whether or not either the consumer relief 16 or the actions of the National Mortgage Settlement 17 caused blight of any sort?</p> <p>18 A. Yes, that's correct.</p> <p>19 Q. Is there a servicing standard under the 20 National Mortgage Settlement for blight?</p> <p>21 A. Servicing standards I believe do 22 include -- there are some servicing standards that 23 apply. I'm not sure whether the term "blight" is 24 used, but to distressed areas. I -- I can't remember. 25 There were just a few. They are not covered by a</p>	<p style="text-align: right;">Page 108</p> <p>1 BY MR. TANTILLO:</p> <p>2 Q. I'm going to ask you to review Plaintiffs' 3 Exhibit Number 15.</p> <p>4 A. Yes, sir.</p> <p>5 (WITNESS REVIEWS DOCUMENT)</p> <p>6 Q. Mr. Smith, you've had a chance to review 7 Plaintiffs' Exhibit Number 16 -- excuse me, 15?</p> <p>8 A. 15, yes, I have.</p> <p>9 Q. What is this, do you know? Have you 10 recognized something like this?</p> <p>11 A. Well, it's entitled Request for Mortgage 12 Assistance Form.</p> <p>13 Q. Have you seen these types of forms before?</p> <p>14 A. No.</p> <p>15 Q. Was there supposed to be a form such as a 16 Request for Mortgage Assistance filed to obtain 17 various types of consumer relief?</p> <p>18 A. Consumer relief credit was obtained under 19 the settlement by the servicer after the servicer 20 showed us that it had given -- granted relief to 21 borrowers on loans that qualified for relief under the 22 definitions set forth in the settlement, that the 23 relief had been done in a manner consistent with the 24 settlement and that the credit sought was consistent 25 with the amount the settlement allowed. The</p>
<p style="text-align: right;">Page 107</p> <p>1 metric, and we didn't -- it's not that we paid no 2 attention to them, it's just we -- they weren't -- 3 they weren't what we were testing or we weren't 4 required to do anything about them.</p> <p>5 Q. Do you know whether or not, under those 6 requirements you just mentioned, if there were lien 7 releases whether or not borrowers would have to be 8 notified of these releases?</p> <p>9 MR. PISTILLI: Object to the form.</p> <p>10 THE WITNESS: Again, I need you to be a 11 little more -- I'm sorry.</p> <p>12 BY MR. TANTILLO:</p> <p>13 Q. Okay. Let's ask -- let's say there's a 14 second lien release on a second mortgage. After a 15 letter was sent to or if there was a letter sent, in 16 order for them -- in order for them to receive 17 consumer relief credit, would they have to notify the 18 borrower or the municipalities?</p> <p>19 MR. PISTILLI: Object to the form.</p> <p>20 THE WITNESS: They notified the 21 borrowers, whether they were required to do so I 22 just don't recall now. They were not required 23 to notify the municipalities. "They" being the 24 servicers. 25 (EXHIBIT NUMBER 15 WAS MARKED FOR IDENTIFICATION)</p>	<p style="text-align: right;">Page 109</p> <p>1 formalities -- for this purpose, the formalities of 2 how the relief was sought were not our concern.</p> <p>3 Q. So there was no determination on your part 4 whether or not a borrower even wanted consumer -- even 5 wanted to have their mortgage modified?</p> <p>6 MR. PISTILLI: Object to the form.</p> <p>7 THE WITNESS: Well, if a mortgage -- 8 again, there were various forms of consumer 9 relief. If the form of relief you're talking 10 about is mortgage loan modification, change of 11 the payment terms, we did always have in the -- 12 in our review if not -- yes, if not an 13 application, an agreement under which the 14 modification was to be given. It varied by 15 servicer. And we did have to determine for some 16 forms of relief that the house was 17 owner-occupied, and there were times we did; 18 times we didn't.</p> <p>19 But if we did, we had to -- we had 20 documentation that the -- the relief had been 21 sought -- or the relief had been grounded based 22 on documentation that showed that it was -- the 23 loan was qualified for whatever the relief we're 24 talking about was. 25</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 110</p> <p>1 BY MR. TANTILLO:</p> <p>2 Q. As you know, my client bought thousands of</p> <p>3 mortgages from Chase, as you may know. Many of his</p> <p>4 borrowers received lien releases, and also his</p> <p>5 borrowers received second lien extinguishment letters.</p> <p>6 Based on what you just said there, how would that be</p> <p>7 possible if these individuals never asked for any kind</p> <p>8 of modification?</p> <p>9 MR. PISTILLI: Object to the form.</p> <p>10 MR. EPSTEIN: Object to the form.</p> <p>11 MR. PISTILLI: Lacks foundation.</p> <p>12 THE WITNESS: As I said to you, that --</p> <p>13 my prior answer was about first lien mortgage</p> <p>14 modifications. There may have been</p> <p>15 circumstances where if a loan was being</p> <p>16 expunged, the amount of proof required under</p> <p>17 the -- under the protocols that we'd agreed with</p> <p>18 all servicers may have been less. I don't</p> <p>19 recall whether we required notice to the</p> <p>20 borrower and consent of the borrower or not.</p> <p>21 BY MR. TANTILLO:</p> <p>22 Q. So with regards to second lien</p> <p>23 extinguishments or second lien releases, what kind of</p> <p>24 proof did you require?</p> <p>25 A. I don't remember if there was a --</p>	<p style="text-align: right;">Page 112</p> <p>1 in place, have second lien extinguishments sent to</p> <p>2 them?</p> <p>3 MR. EPSTEIN: Objection to form.</p> <p>4 MR. PISTILLI: Object to the form.</p> <p>5 THE WITNESS: What I know is second</p> <p>6 liens were extinguished, the borrowers were</p> <p>7 notified. That's what I know sitting here right</p> <p>8 now.</p> <p>9 BY MR. TANTILLO:</p> <p>10 Q. You previously stated that there was a</p> <p>11 minimal amount of first liens that received credit</p> <p>12 under the settlements; is that correct?</p> <p>13 A. No. I don't know that I did say that. In</p> <p>14 fact, I'm sure I didn't say that, or if I did say</p> <p>15 that, I was incorrect.</p> <p>16 Q. Well, we can go back to that.</p> <p>17 But, nevertheless, what were the</p> <p>18 parameters in order to obtain a first lien credit</p> <p>19 under the RMBS settlement?</p> <p>20 MR. PISTILLI: Object to the form.</p> <p>21 THE WITNESS: Those parameters are set</p> <p>22 out in, again, agreed protocols we had with</p> <p>23 them. There was -- it was not a -- there was a</p> <p>24 publicly filed -- for a prosecution agreement, I</p> <p>25 don't think we had the same kind of backup to</p>
<p style="text-align: right;">Page 111</p> <p>1 Q. Is there anybody in your office who would</p> <p>2 know that?</p> <p>3 A. Well, in the first place, there's a</p> <p>4 document that's a public document called -- which is</p> <p>5 an exhibit to the consent judgment itself, which</p> <p>6 discusses in some detail what's required. There is</p> <p>7 also attached to that a -- a schedule showing the</p> <p>8 credits we give for various kinds of relief. And we</p> <p>9 do have work plan and test scripts which follow which</p> <p>10 show how we went through the various steps to</p> <p>11 determine that relief was, in fact, granted and</p> <p>12 consistent with the settlement. And who would have it</p> <p>13 would be -- it would still be in our files if we kept</p> <p>14 those files.</p> <p>15 Q. Was there a certain period of time in</p> <p>16 which you're required to keep the files?</p> <p>17 A. No. Although, Chase also has those</p> <p>18 agreements. They were done, basically, to an agreed</p> <p>19 set of protocols.</p> <p>20 Q. However, how would it be possible under</p> <p>21 the various rubrics that you had in terms -- in order</p> <p>22 to determine if a borrower sought some kind of relief</p> <p>23 for modification that the individuals such as my</p> <p>24 clients, his borrowers, how would they conceivably be</p> <p>25 able to, using all the various safeguards that you had</p>	<p style="text-align: right;">Page 113</p> <p>1 that that we had on the NMS, but it was done on</p> <p>2 roughly the same basis.</p> <p>3 And relief was granted based on the</p> <p>4 nature of the loan, was it a distressed loan,</p> <p>5 generally, although it could have been</p> <p>6 otherwise, and did it -- were payments under the</p> <p>7 loan reduced in a way -- manner sufficient to</p> <p>8 justify credit. But there's -- there was a</p> <p>9 whole set of protocols developed to implement</p> <p>10 this. Some of it, I believe, was in the</p> <p>11 deferred prosecution agreement, we fleshed it</p> <p>12 out and when -- in more -- more -- much more</p> <p>13 detailed agreements when we implemented it.</p> <p>14 BY MR. TANTILLO:</p> <p>15 Q. Now, in order for a first lien loan to be</p> <p>16 taken for credit, did the occupancy have to be</p> <p>17 verified?</p> <p>18 A. I'm sorry?</p> <p>19 Q. Would occupancy have to be verified?</p> <p>20 A. In some -- at least in some of the cases,</p> <p>21 yes.</p> <p>22 Q. And what were the cases where it did not</p> <p>23 have to be?</p> <p>24 A. I don't know. I can't remember the exact</p> <p>25 details. For most of the credits we got, to get the</p>



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 114</p> <p>1 maximum credit a loan had to be owned by the servicer, 2 serviced by the servicer and owner -- owner-occupied. 3 Q. And they were able to take credit for 4 loans that also were not occupied under a different 5 rubric? 6 A. There may well have been some of those for 7 less credit. 8 MR. TANTILLO: One moment. 9 BY MR. TANTILLO: 10 Q. Under the situation where owner-occupancy 11 was required, what type of servicing standards were 12 the banks held to? 13 MR. PISTILLI: Object to the form. 14 THE WITNESS: Are we talking now about 15 National Mortgage Settlement servicing 16 standards? 17 BY MR. TANTILLO: 18 Q. Let's start with the National Mortgage -- 19 National Mortgage Settlement. 20 A. It would depend on the metric. And I'm 21 not sure how many if -- of the mortgage -- of the 22 metrics -- the servicing standard -- the metrics that 23 measured servicing standard compliance required 24 owner-occupancy. There was -- there was 25 owner-occupancy -- some owner-occupancy requirement</p>	<p style="text-align: right;">Page 116</p> <p>1 said to you before was, there were very few, if 2 any, first lien extinguishments. 3 BY MR. TANTILLO: 4 Q. I apologize. 5 A. We did not -- the difference there -- 6 there's a difference between that, and I'm -- just for 7 the record, between that and a loan modification where 8 you reduce or defer payment of principal where you 9 either forgive the payment of principal or reduce it 10 for a period -- forbear on it for a period in order to 11 reduce the cost -- the cost of ownership. 12 Again, I -- there may well -- there may 13 have been -- I hate to say never with the settlement, 14 because we ran into a lot of different things -- but 15 for all servicers, I think that it was very seldom 16 if -- very seldom, at the most, we ever ran into a 17 extinguishment of a first lien loan. I can't say 18 never, because I don't know that. But I think it was 19 very -- the majority of modifications were 20 reductions -- were either -- were forgiveness of loan 21 principal or in some cases forbearance of loan 22 principal, in other words, just -- just not collecting 23 on a portion of the loan. 24 Q. Were there first lien extinguishments 25 under the RMBS settlement?</p>
<p style="text-align: right;">Page 115</p> <p>1 and -- for much -- for some of the credit for consumer 2 relief under both the NMS and the RMBS settlement. 3 Q. Do you know or have any idea how the 4 servicers would determine owner-occupied? What they 5 would do to determine whether or not there was 6 somebody living in the residence? 7 A. A form, I don't know -- I'm not sure I can 8 tell you all -- don't know today all the forms. One 9 was to simply -- when the -- there -- there was 10 documentation in terms of consumer relief of the 11 agreement with regard to modification, and among the 12 evidence we looked at for those loans was an agreement 13 where the borrower had checked a box, essentially, 14 saying they were resident in the -- in the -- in the 15 premises. There was some additional bits of 16 information you would see from time to time when 17 addresses were -- correspondence was sent different 18 from the address on the -- on the loan -- on the 19 premises where the loan was located. But it varied, 20 so we did do some follow-up on that if it was 21 required. 22 Q. Do you know if owner-occupancy was 23 required for a first lien extinguishment? 24 MR. PISTILLI: Object to the form. 25 THE WITNESS: Let's be clear. What I</p>	<p style="text-align: right;">Page 117</p> <p>1 A. Again, I don't -- I don't know that there 2 were, but I'm -- I hate to say it, I don't know for 3 sure. But I -- if there were, it was -- it was very 4 few if any. 5 Q. Was there a reason why the servicers did 6 not use that provision? 7 A. Well, in general, the category of 8 relief -- the objective of many of these -- of these 9 settlements was to keep families in their homes and to 10 put the -- based on repayment. I mean, putting them 11 in a position where they could actually repay the loan 12 based on -- on their income levels and so forth. 13 Forgiveness of a first lien was more than, I think, 14 the parties had bargained for and more than most 15 servicers were willing to do. I mean, theoretically, 16 I guess they could have done it. But, again, they 17 almost never did that. 18 Q. Was it possible for a servicer under, 19 let's start with, the National Mortgage Settlement to 20 provide consumer relief without providing notice to 21 the borrower? 22 MR. PISTILLI: Object to the form. 23 THE WITNESS: Well, again, there are 24 different forms of consumer relief. For 25 example, in a short sale the borrower actually</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 118</p> <p>1 asks for it, so there's notice there. In the --</p> <p>2 in the case of most of the first lien</p> <p>3 forgivenesses we were just talking about there</p> <p>4 had been -- there had been a request for</p> <p>5 forgiveness for -- for a forgiveness of</p> <p>6 principal or a -- or a request for modification</p> <p>7 is generally what was done. In the case of</p> <p>8 second liens it -- I think it really did vary.</p> <p>9 BY MR. TANTILLO:</p> <p>10 Q. So there was a possibility that the</p> <p>11 borrower would never know --</p> <p>12 A. Oh, the borrower --</p> <p>13 Q. -- until they sold their house or</p> <p>14 something like --</p> <p>15 A. Oh, no, the borrower would know, because</p> <p>16 one of the evidences that we have that the forgiveness</p> <p>17 had actually been made was the providing to the</p> <p>18 borrower of a 1099 for forgiveness -- forgiveness</p> <p>19 income.</p> <p>20 Q. But it was possible that for a period of</p> <p>21 time, at least until they receive a 1099, that they</p> <p>22 could still be paying on that second lien?</p> <p>23 A. I would have to speculate to say that,</p> <p>24 I -- but it's -- I -- I can't -- I don't know for</p> <p>25 sure.</p>	<p style="text-align: right;">Page 120</p> <p>1 institutionally aware of it, yes.</p> <p>2 Q. Do you know who in your office is</p> <p>3 personally aware of the fact that they were releasing</p> <p>4 liens to take them out of metrics testing?</p> <p>5 A. Well --</p> <p>6 MR. EPSTEIN: Are you saying -- you</p> <p>7 said "they," they being Chase?</p> <p>8 MR. TANTILLO: Yes.</p> <p>9 THE WITNESS: It would have been my</p> <p>10 counsel.</p> <p>11 BY MR. TANTILLO:</p> <p>12 Q. So it did come as a surprise to you when</p> <p>13 you learned that they were releasing liens to take</p> <p>14 them out of the metrics?</p> <p>15 A. Well, I didn't -- I didn't know that I</p> <p>16 learn or needed to learn any of that. The documents</p> <p>17 we've looked at before show that we had agreed that if</p> <p>18 they did that, which their -- was at their discretion,</p> <p>19 not mine. We didn't direct them to do anything. If</p> <p>20 they did that, loans that did not have a lien</p> <p>21 applicable to them were not subject to the settlement.</p> <p>22 Q. With regards to loan level data, and I</p> <p>23 know we spoke about this before, did the Office of</p> <p>24 Mortgage Settlement have the ability to review loan</p> <p>25 level data?</p>
<p style="text-align: right;">Page 119</p> <p>1 Q. Just one moment, sir.</p> <p>2 (EXHIBIT NUMBER 16 WAS MARKED FOR IDENTIFICATION)</p> <p>3 MR. PISTILLI: Copy, please?</p> <p>4 MR. TANTILLO: Yes, sir.</p> <p>5 BY MR. TANTILLO:</p> <p>6 Q. Mr. Smith, have you had a chance to</p> <p>7 review --</p> <p>8 A. Yes.</p> <p>9 Q. -- Plaintiffs' Number 16?</p> <p>10 A. Yes, sir, I have.</p> <p>11 Q. The first highlighted part talks about the</p> <p>12 releasing of liens so they would not be included in</p> <p>13 the DOJ metrics. Was that something that you were</p> <p>14 aware of?</p> <p>15 MR. PISTILLI: Objection, lacks</p> <p>16 foundation.</p> <p>17 THE WITNESS: You're asking was I</p> <p>18 personally aware of it, the answer is no.</p> <p>19 BY MR. TANTILLO:</p> <p>20 Q. Was your office aware?</p> <p>21 A. Given what we have reviewed until now, I</p> <p>22 think there was an understanding -- there was an</p> <p>23 understanding that releases of liens would take when</p> <p>24 it was out of -- out of the populations for metrics</p> <p>25 testing. And so I -- I suppose in that sense I was</p>	<p style="text-align: right;">Page 121</p> <p>1 A. What do you mean by that?</p> <p>2 Q. Did they have the ability to review the</p> <p>3 actual -- not just the systems of record, but, you</p> <p>4 know, payment history, escrow and taxes, all the types</p> <p>5 of things that are required under various laws for</p> <p>6 servicing?</p> <p>7 MR. PISTILLI: Object to the form.</p> <p>8 THE WITNESS: In assessing compliance</p> <p>9 with the metrics and in consumer relief we used</p> <p>10 loan level data with regard to loans in the</p> <p>11 sample populations, and we derived that from the</p> <p>12 systems of record of all the -- of each of the</p> <p>13 servicers.</p> <p>14 BY MR. TANTILLO:</p> <p>15 Q. But -- so loan level data was used to</p> <p>16 determine the samples?</p> <p>17 A. No.</p> <p>18 MR. PISTILLI: Object to the form.</p> <p>19 THE WITNESS: No. The samples -- as I</p> <p>20 said before, we went through a very long -- "we"</p> <p>21 being my colleagues including both counsel and</p> <p>22 the professional firms -- went through a long</p> <p>23 series of discussions and protocol development</p> <p>24 activities with the IRG and in some cases with</p> <p>25 the -- with the operations of the -- servicer --</p>



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

<p style="text-align: right;">Page 122</p> <p>1 operations of the servicers to determine that</p> <p>2 the population -- to determine a population of</p> <p>3 loans as to which a metric applied. There were</p> <p>4 different populations -- well, not obviously,</p> <p>5 there were different populations for different</p> <p>6 metrics.</p> <p>7 A statistically valid sample was</p> <p>8 selected in each case from the population for a</p> <p>9 particular metric. Compliance by the servicer</p> <p>10 with the -- with settlement was measured by the</p> <p>11 application of tests included in the metric</p> <p>12 definition to the loans in the statistically</p> <p>13 valid sample. And the basis for determining</p> <p>14 whether or not there had been compliance was</p> <p>15 loan level data drawn from the system of record</p> <p>16 of the servicer.</p> <p>17 BY MR. TANTILLO:</p> <p>18 Q. So if a metric did not apply, then the</p> <p>19 loan data or the -- anything related to that</p> <p>20 particular loan would never appear or never come</p> <p>21 before you?</p> <p>22 A. If a loan was not in the population</p> <p>23 covered by a metric, no data -- well, we would -- they</p> <p>24 would not be in the population. It would not -- none</p> <p>25 of the -- and it would not be selected in the</p>	<p style="text-align: right;">Page 124</p> <p>1 that -- that loan that didn't have a lien</p> <p>2 attached to it would not be in the population.</p> <p>3 BY MR. TANTILLO:</p> <p>4 Q. So if there was a lien attached to it,</p> <p>5 then it should have shown up at the population?</p> <p>6 A. It might have, it depends on the metric.</p> <p>7 MR. TANTILLO: All right. We're going</p> <p>8 to finish up. Could we take a break just for</p> <p>9 five minutes to see if we have any last</p> <p>10 questions?</p> <p>11 THE WITNESS: Sure.</p> <p>12 THE VIDEOGRAPHER: The time now is</p> <p>13 2:13 p.m., and we will be going off record.</p> <p>14 (RECESS TAKEN)</p> <p>15 THE VIDEOGRAPHER: The time now is</p> <p>16 2:25 p.m., and we are back on record. You may</p> <p>17 begin.</p> <p>18 MR. TANTILLO: Thank you.</p> <p>19 BY MR. TANTILLO:</p> <p>20 Q. Mr. Smith, who on the Chase IRG was your</p> <p>21 or OMSO's primary contact?</p> <p>22 A. Nikki -- gosh, I hope I can pronounce it</p> <p>23 right -- Hops.</p> <p>24 Q. Holsopple?</p> <p>25 A. Holsopple.</p>
<p style="text-align: right;">Page 123</p> <p>1 statistically valid sample, and so we would not -- we</p> <p>2 would not see that information.</p> <p>3 Q. Would this explain why a system of record</p> <p>4 such as Recovery 1, perhaps, didn't appear in your</p> <p>5 system of record until a certain period of time?</p> <p>6 MR. PISTILLI: Object to the form,</p> <p>7 misstates prior testimony, lacks foundation.</p> <p>8 THE WITNESS: First, I don't know that</p> <p>9 you -- I don't know the system -- that the</p> <p>10 Recovery 1 didn't exist in the those systems.</p> <p>11 And in our -- it was known to us. The question</p> <p>12 was did we query -- did we include that -- that</p> <p>13 system in queries for metrics when we were</p> <p>14 deriving populations from which to draw</p> <p>15 statistically valid samples to test.</p> <p>16 And so the -- so if there were no loans</p> <p>17 and if it were established that there were no</p> <p>18 loans in a system of a servicer, they would --</p> <p>19 there would be no query extended to that system</p> <p>20 or there would be no response from that system.</p> <p>21 It wouldn't be included in the population by</p> <p>22 the -- by the population draw. It wouldn't --</p> <p>23 there would be -- if there was no -- if there</p> <p>24 was no mortgage which would -- which I expect</p> <p>25 was in the system request, then no loans from</p>	<p style="text-align: right;">Page 125</p> <p>1 Q. And who in the line of business was your</p> <p>2 primary contact or OMSO's?</p> <p>3 A. I'm actually trying to remember. I don't</p> <p>4 remember in their operation, I just can't -- I just</p> <p>5 can't remember.</p> <p>6 Q. As the monitor of the National Mortgage</p> <p>7 Settlement, who was the supervising entity for your</p> <p>8 work?</p> <p>9 MR. EPSTEIN: Objection to form.</p> <p>10 THE WITNESS: Well, I -- I was</p> <p>11 monitored, for want of a better word, by the</p> <p>12 monitoring committee, which we have just</p> <p>13 discussed, which was provided for in each of the</p> <p>14 consent judgments. And I believe I described</p> <p>15 that previously in this testimony. And I guess,</p> <p>16 theoretically, by Judge Rosemary Collyer with</p> <p>17 whom the settlement documents were filed.</p> <p>18 BY MR. TANTILLO:</p> <p>19 Q. As the monitor of the Residential Mortgage</p> <p>20 Backed Security Settlement, who was your supervising</p> <p>21 entity for your work there?</p> <p>22 MR. EPSTEIN: Objection to form.</p> <p>23 THE WITNESS: In that case, I was in</p> <p>24 communication both with Chase and with the</p> <p>25 Justice Department. There was no oversight,</p>

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Page 126

Page 128

1 formal oversight, of the kind that was presently  
2 at NMS.

3 BY MR. TANTILLO:

4 Q. Before we broke, you mentioned that there  
5 was a deferred prosecution agreement?

6 A. I'm -- that -- it -- there was an  
7 agreement between the -- a settlement agreement  
8 between the parties, that's a public document you can  
9 get on the Justice web site. This was a kind of --  
10 this was a settlement that stayed prosecution. There  
11 was no filing with the court. So it was never -- it  
12 was never under -- under judicial oversight. And  
13 there were some provisions, ongoing provisions, in  
14 the -- in the agreement, but it was much less detailed  
15 than the NMS had been. And the relief was only --  
16 there was no -- there was no -- it's -- well, was --  
17 now, was no equivalent of metric, you know, compliance  
18 metrics, there was only consumer relief. There had  
19 been -- there were other provisions, but I was not  
20 involved with them.

21 Q. Who was your primary contact or the Office  
22 of Mortgage Settlement's primary contact at the  
23 Department of Justice?

24 A. Well, first and foremost, OMSO did not  
25 do -- was not the entity through which I conducted the

MR. PISTILLI: Objection.

THE WITNESS: You would have to read --  
you're the lawyer -- you're the Justice lawyer,  
you would have to read this and determine it.  
I -- there was -- it was an agreement not to  
prosecute, and the parties are all stated there.  
There was -- and it was -- it didn't happen, so  
I don't know.

MR. TANTILLO: Tender the witness.

MR. PISTILLI: No questions.

MR. EPSTEIN: All right. You're done.

THE WITNESS: Thank you all very much.  
Hope you have a safe trip home.

THE VIDEOGRAPHER: The time now is  
2:30 p.m. This concludes the videotaped  
deposition of Joseph Smith. We are going off  
record, once again, at 2:30 p.m.

(SIGNATURE RESERVED)

(DEPOSITION CONCLUDED AT 2:30 P.M.)

Page 127

Page 129

1 RMBS settlement. It was the internationally famous  
2 firm Joseph A. Smith, Jr. Monitoring Limited which was  
3 a Subchapter S corporation.

4 And what was -- the question, who were my  
5 contacts?

6 Q. Yes, sir.

7 A. My contacts at Justice changed, I had  
8 several assistant US Deputy Attorney's General. And  
9 there has been a change there, and so I don't think  
10 any of them are still -- in fact, I know my last  
11 contact was -- has gone into private practice.

12 At Chase, did you ask me about Chase, I'm  
13 sorry?

14 Q. Well, you already asked -- you already  
15 answered about Chase previously, you said Nikki  
16 Holsopple?

17 A. Well, it actually it turns out she was --  
18 didn't have to be, but she was. She was in charge  
19 of -- of the -- where they call the HRG for that  
20 settlement which -- and it was the same -- and, yeah,  
21 she is the same contact.

22 Q. Had there been a violation of the deferred  
23 prosecution agreement or the agreement between DOJ and  
24 Chase, who would have enforced it, or what was the  
25 provision to --

#### CHANGES AND SIGNATURE

Witness Name: Joseph A. Smith, Jr. February 9, 2017  
Page Line Change Reason

I, Joseph A. Smith, Jr., have read the foregoing  
deposition and hereby affix my signature that same is  
true and correct, except as noted above.

Joseph A. Smith, Jr.

Sworn to and Subscribed before me

\_\_\_\_\_, Notary Public.

This \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

My Commission Expires:

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Page 130

1 STATE OF NORTH CAROLINA

2 COUNTY OF DAVIDSON

3

4 C E R T I F I C A T E

5 I, Amy A. Brauser, RPR RMR CLR, the officer  
6 before whom the foregoing deposition was taken, do  
7 hereby certify that the witness was duly sworn by me  
8 prior to the taking of the foregoing deposition; that  
9 the testimony of said witness was taken by me to the  
10 best of my ability and thereafter reduced to  
11 typewriting under my direction; that I am neither  
12 counsel for, related to, nor employed by any of the  
13 parties to the action in which this deposition was  
14 taken, and further that I am not a relative or  
15 employee of any attorney or counsel employed by the  
16 parties thereto, nor financially or otherwise interest  
17 in the outcome of the action.

18

19 This is the 10th day of February, 2017.

20

21

22 \_\_\_\_\_  
Amy A. Brauser, RPR RMR CLR  
Notary Public # 20023030055

23

24

25



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: a.m...back

A	AGS 19:18,25	approximately 7:13 83:1
<b>a.m.</b> 7:13 30:13,16 56:16	<b>ahead</b> 25:9 57:6 60:17 99:25 100:12	<b>April</b> 13:6,7 45:18,21 86:5
<b>Aaron's</b> 16:12	<b>Alderson</b> 8:17	<b>areas</b> 29:24 38:14,17,19 79:14,17,24 106:24
<b>ability</b> 33:2 120:24 121:2	<b>allegations</b> 102:4	<b>arguments</b> 64:8
<b>absolutely</b> 55:9	<b>alleged</b> 63:17 102:16 105:18	<b>art</b> 64:5
<b>accordance</b> 93:6	<b>allowed</b> 16:13 29:23 33:11 51:10 79:23 108:25	<b>asks</b> 118:1
<b>accounted</b> 73:1	<b>altered</b> 105:20	<b>aspect</b> 106:11
<b>accounting</b> 15:14,25 22:10	<b>alternative</b> 61:5	<b>assert</b> 37:5 92:18
<b>achieve</b> 60:23	<b>amend</b> 9:11 103:21	<b>assertions</b> 37:17
<b>Act</b> 95:6 98:18	<b>America</b> 11:21,25	<b>assessing</b> 121:8
<b>action</b> 29:18 56:2	<b>amount</b> 14:15 47:16 60:15 71:14,17 75:5 78:14 93:12 108:25 110:16 112:11	<b>assessment</b> 104:20
<b>actions</b> 32:13 34:25 77:25 106:16	<b>amounts</b> 59:13 68:16	<b>assessments</b> 14:13
<b>activities</b> 48:10 121:24	<b>Amy</b> 7:18	<b>assistance</b> 54:17 108:12,16
<b>activity</b> 82:11	<b>analogize</b> 25:16	<b>assistant</b> 19:21 127:8
<b>actual</b> 25:8 36:17 47:22 121:3	<b>analysts</b> 91:23	<b>association</b> 7:17
<b>add</b> 38:2 41:7	<b>analyze</b> 41:9	<b>assume</b> 84:12
<b>added</b> 38:3,4 46:24 47:7	<b>and/or</b> 60:15 104:16 105:9	<b>assurance</b> 77:5
<b>addition</b> 60:18	<b>annually</b> 33:13	<b>assure</b> 74:20 75:1 77:24 84:15 89:5
<b>additional</b> 38:17 46:24 50:25 75:1 78:24 115:15	<b>answers</b> 36:23,24	<b>attached</b> 78:23 111:7 124:2,4
<b>address</b> 38:16 115:18	<b>Anthony</b> 16:3	<b>attended</b> 20:23
<b>addressed</b> 76:11	<b>anti-blight</b> 61:8,15 106:9,12	<b>attention</b> 107:2
<b>addresses</b> 115:17	<b>apologize</b> 30:19 49:8 76:6 80:9 85:19 116:4	<b>attorney</b> 9:2,15 12:25 19:21,22
<b>adequately</b> 100:7	<b>apparently</b> 91:24	<b>Attorney's</b> 127:8
<b>adjustments</b> 104:24,25	<b>appears</b> 46:14 76:10	<b>attorneys</b> 15:6 38:12
<b>adoption</b> 14:4	<b>applicable</b> 42:23 56:1 103:13 104:11, 21,22 105:14,18 120:21	<b>auditors</b> 25:18
<b>advocates</b> 38:13	<b>application</b> 12:19 60:24 61:2 70:22 98:10,16 109:13 122:11	<b>authority</b> 33:10 36:5 50:24
<b>affected</b> 48:6	<b>applications</b> 98:3	<b>authorized</b> 93:5 103:20
<b>affiliated</b> 88:6	<b>applied</b> 36:11 40:14 51:15,18 52:5,6 62:9 92:5 122:3	<b>availability</b> 98:14
<b>agree</b> 47:4	<b>apply</b> 40:25 41:1 106:23 122:18	<b>availed</b> 61:14
<b>agreed</b> 12:15,17 14:5 37:5,17 53:21 64:20 75:12 91:18,24 105:11 110:17 111:18 112:22 120:17	<b>appropriately</b> 29:21 50:10 67:18	<b>aware</b> 14:15 29:16 33:22 34:12,13,17 61:10 62:4 63:5 64:7 69:23 70:1 72:18 73:7 88:22 90:12 95:19 119:14,18,20 120:1,3
<b>agreement</b> 18:24 83:10,13 99:20 105:8 109:13 112:24 113:11 115:11, 12 126:5,7,14 127:23 128:5	<b>approval</b> 62:25	
<b>agreements</b> 61:9 64:10 102:10 104:12,18 111:18 113:13	<b>approved</b> 14:5,6	

## B

**back** 30:16,21 32:25 36:19 51:24 56:16 59:22 64:22 96:14 112:16 124:16



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: Backed..claim

**Backed** 125:20  
**background** 29:7 56:3 89:21  
**backup** 112:25  
**Baker** 15:21  
**bank** 11:20,21 22:2 58:6 89:15  
**bankrupt** 19:11  
**bankruptcy** 19:12 69:19,21,25  
**banks** 11:11,17 14:10 59:16 72:12 114:12  
**bar** 18:7  
**bargained** 117:14  
**barred** 18:12  
**based** 74:10 91:17 94:23 109:21 110:6 113:3 117:10,12  
**bases** 51:16 53:14  
**basic** 66:8  
**basically** 111:18  
**basis** 31:13 37:10 86:10 87:4 89:21 100:7 105:19 113:2 122:13  
**Bates** 26:6  
**BDO** 15:18 16:2,4 22:10 37:17 86:21 87:11  
**beg** 55:23  
**began** 21:23 47:6  
**begin** 8:8 30:20 56:17,18 96:15 124:17  
**beginning** 38:5 72:8  
**begins** 7:2  
**behalf** 37:6  
**believes** 99:8  
**binary** 49:15 64:24  
**Bischoff** 19:22  
**bits** 115:15  
**biweekly** 20:2  
**BKD** 15:24  
**blatantly** 55:1  
**blight** 106:17,20,23  
**borrower** 47:9 48:7 60:21 107:18 109:4 110:20 111:22 115:13 117:21,

25 118:11,12,15,18  
**borrowers** 48:1,5 59:4,6 107:7,21 108:21 110:4,5 111:24 112:6  
**bottom** 97:10  
**bought** 110:2  
**box** 115:13  
**Brauser** 7:18  
**break** 56:9,10 96:3 124:8  
**Brent** 7:22 29:8  
**bring** 39:9 83:20,25  
**bringing** 39:20  
**broad** 66:12  
**broke** 126:4  
**broken** 53:19  
**brought** 55:8 106:8  
**buckets** 90:19  
**budget** 13:13,20 14:4,14 15:1  
**budgets** 14:16  
**bunch** 75:3  
**burden** 60:22  
**Bureau** 70:6  
**business** 27:15,18 88:2,24 89:16 125:1  
**buyers** 54:19

---

**C**


---

**call** 15:15 58:13 92:19 127:19  
**called** 11:15 12:16 15:24 33:17 54:13 67:3 79:4,14 81:6,7,8,11 94:14 111:4  
**calling** 31:24  
**calls** 49:4 71:7 78:18 79:10 97:19 103:11  
**Capital** 7:23  
**careful** 73:12 74:20  
**Carolina** 7:12 10:20 11:10 13:1 15:12  
**case** 7:8 12:15,16 23:12 29:9,17 30:17 31:11,12,15 42:6,23 43:4 47:24 48:19 49:9,17 50:5 52:13 53:13 55:3, 10 66:14 73:12 74:6,7,24 82:8 93:14 99:1,3,10 118:2,7 122:8 125:23

**cases** 58:10,15 59:19,20 82:9 88:9 105:17 113:20,22 116:21 121:24  
**category** 67:16 78:25 117:7  
**caused** 40:16 50:4 100:4 106:17  
**certification** 75:21 76:8,10,16,17 83:11  
**certifications** 75:16 76:14  
**certify** 75:8  
**CFPB** 98:21  
**chairman** 16:11 19:20  
**chance** 27:3 84:24 108:6 119:6  
**change** 20:4 28:20,23 29:1 105:16 109:10 127:9  
**changed** 84:20 105:14 127:7  
**channels** 87:23  
**characterization** 47:4  
**charge** 127:18  
**charge-off** 72:19  
**charged** 57:20 67:12 72:25  
**Chase** 7:6 11:21 12:11 14:16 18:21, 24,25 21:10,17 26:9 33:22 34:2 38:23 39:8,12 40:6,16 44:8,12,19 49:9 53:6 54:18 55:16,25 56:21,22 58:3 62:23 68:5,11 79:12,15 81:11 82:5 83:19,24 89:13 93:22 94:2,3 95:14 99:20 110:3 111:17 120:7 124:20 125:24 127:12, 15,24  
**Chase's** 21:10,13 31:12 91:1 99:11, 18 100:6  
**chastised** 81:10  
**checked** 115:13  
**Cherry** 17:1  
**chosen** 12:13 13:3  
**Chris** 7:25 42:2 46:5 57:4 62:10 99:14  
**circumstance** 55:24  
**circumstances** 73:23 75:18 110:15  
**Citi** 11:21  
**cities** 44:2  
**City** 43:23  
**claim** 71:20

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: claimed..counsel

<b>claimed</b> 71:20 77:15	<b>completed</b> 11:18 106:6	<b>consult</b> 30:9
<b>claims</b> 30:4 55:9,22 101:15,18	<b>completely</b> 77:18	<b>consultation</b> 35:11
<b>clarify</b> 30:8	<b>compliance</b> 36:6 37:2 45:23 62:3 65:13 66:18,22 98:20 101:18 102:9, 12,17 103:16 104:10,17,22 105:2,19 114:23 121:8 122:9,14 126:17	<b>consulted</b> 35:8
<b>clear</b> 9:2 62:15 77:6 83:15 94:12 115:25	<b>compliant</b> 61:21 63:1	<b>consumer</b> 9:20 23:10 55:17 68:13 69:19,22 70:6 71:5 72:9 77:9 78:1,2, 18,22 79:5 80:22 81:2 89:22 91:5,8 92:14,15,17 95:10,12,13,22 101:18 106:10,15 107:17 108:17,18 109:4,8 115:1,10 117:20,24 121:9 126:18
<b>client</b> 40:18 43:1 110:2	<b>complied</b> 25:24 36:1,25	<b>contact</b> 16:12 17:16 41:12,18 65:16, 17,22 87:1,3,5,12 88:2,9 89:4,25 97:14 98:2,13,15 124:21 125:2 126:21,22 127:11,21
<b>client's</b> 55:25	<b>comply</b> 29:20 76:19 100:17 103:22 104:7 105:1	<b>contacted</b> 43:17
<b>clients</b> 55:14,18 100:5 111:24	<b>comprise</b> 14:3	<b>contacts</b> 16:2,8 87:21 89:9 127:5,7
<b>cochairs</b> 19:23	<b>comprised</b> 14:7 19:6,8 27:24	<b>contained</b> 78:19
<b>collate</b> 37:20	<b>computer</b> 53:17	<b>context</b> 25:19 98:16
<b>colleagues</b> 10:1,3 21:12 22:22 28:4, 13 35:8 66:10 88:9 106:4 121:21	<b>conceivable</b> 42:7,17 55:6	<b>continue</b> 30:7 32:10,11 43:6 55:11 59:16
<b>collect</b> 59:16	<b>conceivably</b> 111:24	<b>continued</b> 98:24
<b>collecting</b> 116:22	<b>concern</b> 38:17,20 77:20 109:2	<b>continues</b> 31:3
<b>College</b> 10:16	<b>concerned</b> 43:24	<b>continuing</b> 31:14 42:4 54:25 56:6 100:11
<b>Collyer</b> 125:16	<b>concerns</b> 41:13,19 44:2	<b>continuous</b> 22:22 87:5
<b>commencement</b> 11:7	<b>CONCLUDED</b> 128:19	<b>contract</b> 55:9
<b>comment</b> 96:21	<b>concludes</b> 128:15	<b>contracted</b> 15:10,14
<b>commercial</b> 43:3 55:7	<b>conclusion</b> 18:9 71:8 79:10 97:20 103:11	<b>contractors</b> 15:5
<b>Commissioner</b> 11:10	<b>conduct</b> 36:16 91:12	<b>control</b> 22:8 89:24
<b>committee</b> 14:7 19:2,4,20 20:1,4,13 28:18 38:16 125:12	<b>conducted</b> 126:25	<b>conversations</b> 90:13
<b>common</b> 86:25	<b>confident</b> 78:8	<b>copies</b> 26:10 40:2 56:24
<b>commonly</b> 11:15 12:16	<b>conflict</b> 103:17	<b>copy</b> 26:22 34:4 45:12 85:7 97:4 102:25 119:3
<b>communicate</b> 9:23	<b>conformance</b> 99:21	<b>corporate</b> 75:12
<b>communicated</b> 9:25	<b>conformity</b> 29:4	<b>corporation</b> 11:1 15:9 127:3
<b>communication</b> 88:19,23 125:24	<b>connection</b> 69:11 81:25 99:23	<b>correct</b> 9:11 16:13 23:24 70:19 84:9 90:11 101:7 106:18 112:12
<b>communications</b> 9:18	<b>consent</b> 11:14,19,20 13:17 14:2 21:4 23:13,16 25:11 33:10 36:12 47:14,15 54:12 58:1 64:20 102:13 110:20 111:5 125:14	<b>correction</b> 30:17
<b>communities</b> 41:20	<b>consequences</b> 37:2	<b>correctly</b> 90:2,3
<b>companies</b> 40:18	<b>considerations</b> 39:23	<b>correspondence</b> 115:17
<b>company</b> 28:1 37:6,11,13 50:9 53:13	<b>considered</b> 60:11	<b>cost</b> 116:11
<b>company's</b> 28:3	<b>consistent</b> 40:13 101:24 108:23,24 111:12	<b>counsel</b> 7:19 9:25 10:7 15:11,13
<b>compare</b> 74:9	<b>constant</b> 87:18	
<b>compensated</b> 14:19 15:2 18:25	<b>constitutes</b> 47:9 64:2	
<b>compensation</b> 17:25 18:3		
<b>Complaint</b> 31:21		
<b>complaints</b> 9:20 38:11		
<b>complete</b> 22:25 95:16		

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: Counsel's..discussion

16:14 26:8 30:10 34:3 55:4 56:21  
62:2,9 63:20 66:11 85:14 86:11 96:18  
99:7 120:10 121:21

**Counsel's** 98:24

**counseled** 83:24

**counsels** 15:11

**country** 38:12

**County** 10:15

**court** 7:8,16 8:4 9:5,7,10 23:4 31:14  
32:8,21 37:21,24 42:8 43:8 68:13  
126:11

**court's** 31:20

**courted** 48:8

**covered** 22:20 38:7 49:25 50:13  
106:25 122:23

**create** 28:10 51:10

**created** 15:8 28:14

**credit** 54:20 55:17 57:13,19 59:5,12,  
21 68:6 69:3,5,20,22,24 71:5,12,17  
73:14,16,17,23 74:2,5 75:5 77:9,15  
78:9,22,25 79:13,15,16,18,23 82:5  
93:13,17,22 94:2,17 95:6 107:17  
108:18,24 112:11,18 113:8,16 114:1,  
3,7 115:1

**credited** 54:2 67:18,19 68:23

**crediting** 44:13 94:17,19 95:5

**credits** 67:12 111:8 113:25

**cross** 20:17 88:22

**Crow** 15:20

**cure** 38:24

**custom** 66:4

**customary** 66:4 86:25

## D

**data** 74:9 89:12 93:21 94:9,10,14,23  
120:22,25 121:10,15 122:15,19,23

**date** 13:11 32:6 39:24 45:17,20 73:8  
81:16 86:5

**Dave** 7:14 16:10

**Davidson** 10:16

**day** 13:4,8

**days** 78:13

**DC** 29:18

**de** 64:2,4,9

**deals** 82:1 103:13

**dealt** 19:13,17 48:2 87:7

**debt** 59:11,16

**debtors** 69:21

**decision** 86:23

**decisions** 31:23

**declining** 42:16

**default** 105:4,8

**Defendants** 8:1 96:19

**defer** 116:8

**deferred** 113:11 126:5 127:22

**deficiency** 59:24 60:2

**defined** 23:14 64:6,19 90:2 92:18

**defining** 35:14

**definition** 122:12

**definitions** 108:22

**degree** 64:9

**delivered** 81:24,25

**Department** 12:10 18:24 19:10,11  
28:17 70:5 125:25 126:23

**depend** 67:14 69:9 91:15 114:20

**depended** 47:17 58:6 92:9

**depending** 49:20

**depends** 54:10 59:13 71:9 75:22  
124:6

**deposed** 8:22,24

**deposition** 7:4,9 9:10 10:9 32:4,14  
99:13 128:16,19

**deputy** 19:21 127:8

**derive** 91:19

**derived** 121:11

**deriving** 123:14

**describe** 61:19

**describes** 27:12

**destroy** 56:24

**detail** 23:3 27:25 28:1 78:21,24 111:6

**detailed** 113:13 126:14

**details** 28:8 75:10,23 113:25

**determination** 53:6 57:15 84:2 90:11  
109:3

**determine** 22:17 35:25 36:10 37:16,  
19 48:4 49:19 50:4,5,14,23 53:16  
66:17 73:22 74:5 75:3,13 77:17 90:1,4  
93:2 104:9 109:15 111:11,22 115:4,5  
121:16 122:1,2 128:4

**determined** 34:18 35:11 36:15,24  
38:13 42:9 47:18,22,24 50:1,11,22  
51:8 52:18 53:4 66:22 74:7 92:4 94:21

**determining** 122:13

**develop** 89:20

**developed** 52:25 53:13 74:4 89:23  
113:9

**development** 121:23

**DI** 96:9

**Diarmuid** 19:16

**differ** 55:24

**difference** 17:18 32:23 116:5,6

**differences** 66:15

**difficult** 61:13

**dig** 58:16

**direct** 55:13 87:1 88:2 120:19

**directed** 39:20 83:8,24

**directive** 40:24 83:4

**directly** 87:12 101:23

**disagree** 30:6 31:10

**disagreements** 21:2

**disclosed** 48:11 78:24

**disclosures** 22:6

**discovery** 29:10,14 34:11,24 35:7  
42:6,10,20 55:3,11 99:1,6,10 100:8

**discretion** 120:18

**discussed** 83:13 104:22 125:13

**discusses** 111:6

**discussing** 32:1 44:24

**discussion** 30:11 86:11 87:19

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: discussions..extension

**discussions** 13:2 23:5 64:12 90:9  
121:23**dismissed** 29:18**dispute** 55:7**disputes** 43:3**distinction** 17:24**distinguished** 81:5**distressed** 106:24 113:4**District** 7:7,8**Ditech** 11:22,23**divided** 92:20**doc** 21:3**document** 10:1 26:6,18,20 27:3,4,6,  
8,25 28:14 34:9,11 35:9 40:4,11 43:9  
45:4,10,15,17 46:11 56:20 62:7,20,21  
63:6 78:18 79:22 80:10,17 81:12,23  
82:15,19,24 83:12 84:19,22 85:2,10,  
17,23 86:2,4 96:19 97:3,6 103:2  
105:23 106:2 108:5 111:4 126:8**documentation** 9:14 59:8 84:4  
109:20,22 115:10**documents** 9:17 10:8 17:22 19:5  
23:14 105:6 120:16 125:17**DOJ** 19:13 44:5 81:6 119:13 127:23**dotted** 27:14**draw** 123:14,22**drawn** 52:11,17,23 53:1,22 89:15  
91:17 92:2 93:1 122:15**drill** 8:25**due** 78:12,13**duly** 8:11 42:15**duties** 21:8 88:24**duty** 24:8

---

**E**

---

**earlier** 47:1 49:8 57:11**easier** 58:11**ecredit** 77:8**education** 10:14**effect** 97:12 106:15**effects** 41:9**elect** 58:6,7**Emily** 9:19**employed** 66:10**employees** 25:14 56:21**employment** 11:5**empowered** 95:18**enable** 67:11**ending** 13:21**enforce** 101:22**enforced** 127:24**enforcement** 64:19 104:6**engaged** 17:2 29:3**engagement** 16:3 18:9**ensure** 76:22 81:14 104:17,25 105:7**entails** 33:21**entered** 29:9**entire** 14:11 20:2 48:13 50:13 55:12,  
20 65:3,9 66:9 83:20 93:18 95:14**entities** 90:15**entitled** 31:13 108:11**entity** 125:7,21 126:25**entry** 73:8,19**Epstein** 8:2 9:15 16:20 17:12 20:10  
24:5,18 25:1,7 26:12,15,19 31:7,16  
33:6 34:7 35:2 39:1 41:2,4 44:14 45:7  
46:6 52:7 53:11 63:9,12 64:17 65:6,23  
66:20 67:24 68:7 70:8,13,20 76:4,25  
80:4,23 81:10,19 85:15,18 86:15  
87:14 88:5 89:1,18 90:22 96:5 97:4  
102:25 110:10 112:3 120:6 125:9,22  
128:11**Equal** 95:6**equivalent** 72:11 81:11 126:17**error** 30:20 37:10,11,12 47:12,13,19,  
20,21,22 48:19 49:1 50:3 51:15 52:5  
53:4 64:14 93:15**escrow** 121:4**essentially** 37:16 115:13**establish** 21:1 25:12 77:14 84:18**established** 47:14 123:17**establishment** 72:15**Estate** 98:18**et al** 7:5,6**evaluating** 65:2**event** 73:15**events** 67:10**evidence** 77:24 115:12**evidences** 118:16**exact** 113:24**EXAMINATION** 8:13**examined** 8:12**exceeded** 37:12 47:13 50:2 53:5  
64:14 93:16**excluded** 40:9**exclusion** 37:24 38:18,22**excuse** 10:21 17:14 40:7 42:2 45:25  
63:24 64:11 68:3 108:7**exercise** 23:15**exhibit** 26:3,4 27:6 33:25 34:1 40:1,  
11 41:7,22,25 45:5,14,25 46:3,13  
62:5,18 75:24 76:3 78:2,21,23 80:3,  
13,19 81:17 82:13,22 84:10,25 85:6,  
14 96:20 102:20,23 107:25 108:3,7  
111:5 119:2**exhibits** 56:19 83:13**exist** 123:10**existing** 40:14 71:18 84:5**expect** 123:24**experience** 38:9 46:25 89:12**Experts** 7:15,17**explain** 42:17 123:3**explicit** 101:23**expunge** 58:11,12**expunged** 69:11 82:10 110:16**expungement** 69:14 78:10 82:11  
92:22**extended** 60:15 79:17,18 123:19**extension** 46:14,17 47:5 86:5,9

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: extensions..granted

**extensions** 39:9**extensive** 74:4**extent** 29:14 33:7 36:5 41:5 47:17  
50:3 66:15 84:4,6**extinguished** 77:15 112:6**extinguishment** 30:1 58:25 59:17  
77:16 110:5 115:23 116:17**extinguishments** 77:13 110:23  
112:1 116:2,24**extract** 22:20**extracted** 36:20 49:20,21

---

**F**

---

**fact** 34:17 35:13 40:13 44:11 54:18  
55:21,24 56:5 70:6 76:23 99:17  
100:12 111:11 112:14 120:3 127:10**failed** 37:8 49:12,13**failure** 47:18 48:3 50:1,11**failures** 48:12**fair** 27:9 88:18 95:18,20,23**fairly** 23:4 78:14**familiar** 59:1,3 61:6,8 103:3**familiarization** 21:24**families** 117:9**famous** 127:1**Fargo** 11:21**Fayetteville** 7:11**February** 7:12**federal** 14:8 19:9 99:18 101:16,17**fee** 13:24 15:3**feel** 94:16**fees** 18:4**few-minute** 56:10**fewer** 13:19**Fidelity** 7:24**field** 91:25**file** 40:17 75:16,20**filed** 13:7 48:8 108:16 112:24 125:17**files** 111:13,14,16**filing** 126:11**final** 28:14 37:18**finally** 11:18**Financial** 70:6**fine** 66:13**finish** 90:22 124:8**firm** 7:14 10:6,7 11:5 15:12,17,19,25  
17:2,17 37:15 127:2**firms** 15:14,15,22 22:10 121:22**first-time** 54:19**fiscal** 13:21**fleshed** 113:11**flow** 87:9,18**follow** 53:18 74:21 111:9**follow-up** 115:20**forbear** 116:10**forbearance** 116:21**foreclosure** 61:5**foremost** 66:7 126:24**forget** 16:12 65:19**forgive** 116:9**forgiven** 59:11**forgiveness** 54:15,16 59:13 116:20  
117:13 118:5,16,18**forgivenesses** 118:3**form** 20:10 24:5,18 25:1,7 34:15 35:2  
39:1 41:2 44:14 49:3 51:20 52:7 53:11  
54:10 57:23,25 58:20 59:13,18 64:17  
65:5,6,23 66:20 67:23,24 68:7 70:8,20  
71:6 72:3,22 74:14 76:25 77:1,22,24  
81:18,19 83:6 87:14 88:4 89:1,17,18  
91:2 95:7 100:25 101:13 103:10  
104:2,13 107:9,19 108:12,15 109:6,9  
110:9,10 112:3,4,20 114:13 115:7,24  
117:22 121:7,18 123:6 125:9,22**formal** 9:4 126:1**formalities** 109:1**formed** 54:12**forms** 57:16,24 59:12,15 68:15 92:20  
108:13 109:8,16 115:8 117:24**forward** 29:10,19 39:6**found** 53:1 90:5**foundation** 39:2 40:22 46:21 49:4  
67:7 81:22 97:19 110:11 119:16 123:7**frame** 93:5**Francis** 30:8 42:21 56:8 99:12**Francis's** 29:20 30:5 31:11 42:5,13,  
20 55:2,13 98:25 100:9**frankly** 58:11 69:9 99:1**front** 98:4**fulfill** 88:24**full** 8:16**fully** 27:3**function** 64:16 66:13**furtherance** 23:16

---

**G**

---

**gave** 59:12,19,20 63:16 78:23**general** 12:25 19:21,22 38:12 60:25  
88:21 117:7 127:8**generalize** 59:25**generally** 52:20 60:13,14 87:7 88:18  
102:19 113:5 118:7**generated** 83:12**give** 60:21 73:13,23 75:10 111:8**giving** 29:7**Glazer** 9:19**GMAC** 11:22**good** 7:21 33:20**Gorham** 19:16**gosh** 16:10 124:22**government** 19:9 20:5 45:5 80:13**Government's** 45:25 80:12**governments** 13:2 14:8**graduate** 10:15**Grant** 15:20 16:8,11 34:12,17,24  
86:21 87:11**granted** 61:24 67:16,18 68:17 69:13,  
14 71:21 93:14 95:13 108:20 111:11



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: Great..interpretative

113:3	hold 46:2	incorrect 112:15
<b>Great</b> 56:25	<b>Holsopple</b> 124:24,25 127:16	<b>incorrectly</b> 30:18
<b>Greentree</b> 11:23	<b>home</b> 54:19 128:13	<b>increased</b> 98:23
<b>grew</b> 36:3	<b>homes</b> 117:9	<b>independence</b> 25:22
<b>grounded</b> 109:21	<b>honestly</b> 13:11	<b>independent</b> 19:1 23:21 24:4,11 25:6,12,15,17,18,20 33:12 89:14
<b>group</b> 17:21 20:19 25:6,8,13 27:17 53:7 81:8,9	<b>hope</b> 124:22 128:13	<b>indication</b> 12:24 50:19
<b>groups</b> 88:10	<b>Hops</b> 124:23	<b>individual</b> 19:15 105:17
<b>guess</b> 13:25 15:19 16:22 56:21 57:12 92:19 117:16 125:15	<b>Horwath</b> 15:21	<b>individually</b> 87:8
<b>guest</b> 31:6	<b>house</b> 109:16 118:13	<b>individuals</b> 16:18 63:19 75:17 86:19 110:7 111:23
<b>guidance</b> 62:25 63:4,8,17	<b>HRG</b> 81:12 127:19	<b>inform</b> 44:8
<b>guys</b> 96:2	<b>HSBC</b> 11:16	<b>information</b> 21:20 31:24 56:3 74:3 75:1 87:9 89:8,9,19,21,24 94:3,7,8,9 115:16 123:2
<hr/> <b>H</b> <hr/>	<b>HUD</b> 19:10 78:18 79:4 80:22 81:2,7,12	<b>informed</b> 33:16 44:11
<b>HAMP</b> 28:23 29:2,4 101:10,20,22,25 102:10 103:7 104:12,17 105:9	<b>hypothetical</b> 69:9	<b>infrastructure</b> 72:15
<b>hand</b> 56:23	<b>hypothetically</b> 48:22,25 90:25	<b>initial</b> 87:21 89:7
<b>handing</b> 62:17	<hr/> <b>I</b> <hr/>	<b>inquire</b> 29:24
<b>handled</b> 50:9,10	<b>i.e.</b> 104:11	<b>inside</b> 28:6 89:15
<b>handling</b> 16:19 101:19	<b>idea</b> 12:22 115:3	<b>insist</b> 29:19 100:11
<b>happen</b> 82:18 84:16 128:7	<b>identification</b> 26:4 34:1 40:1 41:22 45:14 46:3 62:5 74:11 75:24 80:3 82:13 84:10 85:6 96:20 102:20 107:25 119:2	<b>instance</b> 36:9
<b>happened</b> 12:22 56:4 100:3	<b>identify</b> 74:21	<b>instances</b> 57:18,22 58:17 60:10 61:2 64:7 69:12 73:7
<b>hard</b> 61:18	<b>impact</b> 41:19	<b>institutionally</b> 120:1
<b>hardest</b> 79:14,17,23	<b>impair</b> 10:12	<b>instruct</b> 40:6
<b>harm</b> 55:21 100:5	<b>implement</b> 17:23 66:13 113:9	<b>instructed</b> 35:13
<b>harmed</b> 55:15,19	<b>implementation</b> 87:20	<b>intact</b> 54:3,8 57:9,12,16 67:21 70:19, 24 71:19,24 75:2,8,14 76:20,24 77:17
<b>hate</b> 116:13 117:2	<b>implemented</b> 101:6 113:13	<b>integrity</b> 23:22 24:4,9,12 33:2
<b>heard</b> 29:11	<b>implementing</b> 23:16	<b>intent</b> 40:24 55:25
<b>held</b> 7:10 30:11 114:12	<b>improper</b> 42:12	<b>interact</b> 87:25
<b>helped</b> 17:22	<b>inappropriate</b> 31:2 32:11	<b>interaction</b> 22:22
<b>highlighted</b> 97:10 119:11	<b>include</b> 35:14 39:5 84:2 106:22 123:12	<b>interest</b> 12:24 31:12
<b>highlighting</b> 45:9 62:8,9,12 82:15 84:12,17 85:10 96:22	<b>included</b> 34:19 35:12,16 36:12 39:22 54:14,18,20 59:7 93:9 119:12 122:11 123:21	<b>internal</b> 81:8,9 88:10
<b>highly</b> 42:12	<b>including</b> 21:20 121:21	<b>internationally</b> 127:1
<b>hiring</b> 18:1	<b>inclusion</b> 83:14 85:3	<b>interpret</b> 17:22
<b>history</b> 74:22 121:4	<b>income</b> 10:23 18:2 117:12 118:19	<b>interpretations</b> 21:3
<b>hit</b> 79:14,17,23		<b>interpretative</b> 35:10

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: introduce..loan

**introduce** 7:20  
**investigation** 50:25 51:12  
**invite** 42:10 55:4 99:7  
**invited** 31:5  
**invoked** 31:17  
**involve** 49:10  
**involved** 17:3,8,11 20:21 21:18 22:21 126:20  
**involving** 43:1  
**Iowa** 19:22  
**IRG** 25:5 27:9,15 28:2 37:4 49:18 52:19 61:25 81:10 87:11 88:1,13,20, 23 89:4 90:1,5,10 91:19 93:12 121:24 124:20  
**IRGS** 66:5  
**iron** 88:14,15  
**issue** 35:10 55:22 77:13 99:3 105:2  
**issued** 9:16  
**issues** 12:5 29:12,16 32:1 42:8,18 55:10 87:2,6,19 88:16 90:4 99:5,9  
**items** 28:6

## J

**January** 9:16  
**job** 39:3 73:22  
**Joe** 87:15,17 88:6  
**Join** 35:4 41:3 52:8 65:24 68:8 70:9 89:2  
**joining** 11:8  
**Joseph** 7:4 8:3,10,17 127:2 128:16  
**Josh** 17:12,14,15 63:21  
**Journal** 9:19  
**JP** 40:7  
**JPM** 40:7  
**JPMC** 40:7  
**JPMC-MRS-00134158** 26:7  
**JPMORGAN** 7:6 12:11 14:16 21:10 38:23 39:8,12 40:6 44:8,12,19  
**Jr** 8:3,10,17 17:1 127:2

**judge** 9:4 29:9,13,20 30:4,8 31:11 32:13 42:5,13,19,21 55:2,13 56:8 98:25 99:12 100:9 125:16  
**judged** 37:9  
**judgment** 23:14 36:12 64:20 111:5  
**judgments** 11:14,19,20 12:16 13:6, 17,19 14:2 19:8 21:4 23:17 25:12 27:23 33:10 47:14,15 54:12 58:1 64:11 102:13 125:14  
**judicial** 126:12  
**June** 13:21  
**Justice** 12:10 18:24 19:10 28:17 70:5 125:25 126:9,23 127:7 128:3  
**justify** 113:8

## K

**Kanawha** 10:15  
**kind** 17:24 18:22 51:12 63:4 73:14 77:8 93:3,4 110:7,23 111:22 112:25 126:1,9  
**kinds** 23:5 78:21 93:8 111:8  
**knew** 74:21  
**knowledge** 60:4

## L

**L-E-N** 16:7  
**L-E-N-D-E-Z** 16:7  
**label** 85:8  
**lacks** 39:2 40:21 49:4 81:21 97:19 110:11 119:15 123:7  
**large** 15:25  
**latitude** 29:7  
**law** 10:5,17,19 17:17 97:23 101:16 103:18,19,23,25 104:4,7,11  
**laws** 99:19,21 104:11 121:5  
**lawyer** 16:25 17:15 128:3  
**lawyers** 16:24 17:2  
**lead** 51:13  
**learn** 120:16  
**learned** 35:6 38:10 120:13

**learning** 38:22  
**Leatherwood** 15:12 16:17 17:16,19 86:14,16  
**leave** 20:5 72:21  
**left** 56:4  
**legal** 7:15,17 9:4,6 71:7 79:10 97:19 102:14,16,18 103:11  
**lenders** 102:19  
**Lendez** 16:3  
**lending** 95:18,20,24  
**letter** 43:14,20,23 59:17 107:15  
**letters** 43:15,18 59:4,6 110:5  
**level** 88:3 120:22,25 121:10,15 122:15  
**levels** 117:12  
**licensed** 10:18  
**lien** 29:25 30:1 40:15,17 41:9,19 42:22 43:24 44:6,11 54:4,8,9,15,16,22 55:15,19 57:9,16,25 58:4,5,9,12,13, 14,18,25 59:5,7,17,21 60:10,13,14,20 67:3 68:6 69:11,13 70:19,24 71:4,11, 24 74:1 75:8,14 76:20,24 77:12,13,16, 17 79:13,25 81:14 82:6,8,10,12 84:5, 6,7 92:21,22 94:1 97:12 100:2 107:6, 14 110:4,5,13,22,23 112:1,18 113:15 115:23 116:2,17,24 117:13 118:2,22 120:20 124:1,4  
**liens** 39:14,21 40:8 43:1 44:9,20,24 56:5 57:12,24 58:22 61:21 62:25 67:20 68:3,4 72:7 73:19 77:5,14 82:1 83:5,9,10 100:20 112:6,11 118:8 119:12,23 120:4,13  
**limit** 29:20 103:15  
**limitation** 18:14  
**limited** 18:13 127:2  
**limiting** 29:10 42:6,20 55:3 98:25  
**lines** 32:11  
**list** 54:20 94:1  
**living** 115:6  
**LLC** 7:23,24  
**LLP** 10:24 15:10 16:16,25 17:16  
**loan** 7:24 11:16 50:9,10 58:9,12 59:13 60:7,20 65:3 67:11,15 68:22 69:2

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: loans..mortgage-backed

71:13,18,19 74:9,10,17,19,21 75:2  
78:10 90:7 93:2,3,21 95:17 98:3 99:19  
109:10,23 110:15 113:4,7,15 114:1  
115:18,19 116:7,17,20,21,23 117:11  
120:22,24 121:10,15 122:15,19,20,22  
124:1

**loans** 22:20 34:18 35:11,14 36:10,20,  
21 39:23 40:9,14,17,25 48:2,9,17,21,  
25 49:19,20,25 50:7,13,15 52:6 53:7  
54:2,19 56:1 57:19 60:8,13 67:20  
68:18 69:10,19,21,23,24 70:4,7,18  
71:3 72:19,25 73:9,16 79:19,20 82:8,  
12 83:2,25 84:3,7 85:3 90:18 91:1,16  
92:12,19 93:8,13 94:9 98:8,9 101:19  
108:21 114:4 115:12 120:20 121:10  
122:3,12 123:16,18,25

**local** 31:8

**located** 7:10 115:19

**long** 10:21 11:3 22:21 39:13 40:7 84:6  
121:20,22

**longer** 15:21

**looked** 68:19 115:12 120:17

**lot** 116:14

**lunch** 96:3

## M

**made** 30:22 36:14 53:6 94:12 118:17

**Madigan** 19:21

**magistrate** 29:9,13,23 32:13

**majority** 88:9 116:19

**make** 21:6 29:6 31:22 42:11 55:5  
73:13 82:17 99:8

**management** 17:21 21:15,18,19  
25:18,19,21 36:9 37:5 52:19 89:5,6,  
16,23,25 90:1,10 91:18 92:17 93:12

**management's** 25:23 37:4,17 89:8

**managements** 22:18,23

**managing** 33:23

**mandated** 54:23

**manner** 108:23 113:7

**MARCO** 96:9

**marked** 26:3,4 33:25 34:1 40:1 41:22,  
25 45:4,14,24 46:3 62:5,18 75:24 80:3  
82:13 84:10 85:6 96:18,20 102:20,23

107:25 119:2

**marketplace** 38:10

**Martha** 10:6 17:5 63:21

**master** 99:19

**matter** 7:4 54:18

**matters** 32:18

**maximum** 114:1

**Mccree** 10:5

**Mcgladrey** 15:24

**meaning** 79:18,19

**means** 25:2 103:14

**measure** 37:2 39:4

**measured** 114:23 122:10

**measurement** 21:1 23:11 35:23 38:9

**Media** 7:15,17

**medication** 10:11

**meet** 21:17 38:12 104:19

**meetings** 20:17,18,20,24,25 88:11,15

**memo** 98:19

**mentioned** 17:5 19:3 23:1 64:23  
87:23 100:14 107:6 126:4

**mentions** 80:21

**menu** 54:13 78:1,20,23 82:4,5

**met** 20:1 21:15 88:12

**method** 74:18 92:3

**methodology** 53:15

**metric** 23:8 37:11 46:23 47:7,13 48:6  
49:7,14,21 50:14 51:11,25 52:3,4,10,  
11,13 73:10 83:25 91:21 106:14 107:1  
114:20 122:3,9,11,18,23 124:6 126:17

**metric-by-metric** 51:16

**metrics** 22:21 23:11,12 34:19 35:15,  
16,18,19,24 36:2,7,8 37:13 38:2,3,4,7,  
9,15,19 39:10,14,20,23 40:9 46:18,24,  
25 49:7,10,12,16,25 64:23 65:2,8,9  
66:19,23 83:14 84:3,8 85:4 87:13 90:8  
91:5,7,9,12 95:10,23 104:9 106:11  
114:22 119:13,24 120:4,14 121:9  
122:6 123:13 126:18

**midwest** 15:25

**million** 13:18,22 48:22

**Milwaukee** 43:19,23 44:3

**mind** 57:22,25

**mine** 120:19

**minimal** 112:11

**minimis** 64:2,4,9

**minute** 30:10

**minutes** 96:6,7 124:9

**mischaracterizes** 25:8

**misconduct** 102:4

**misstated** 49:8

**misstates** 33:4 51:3 69:6 71:7 72:23  
123:7

**modification** 54:15,16 58:8 60:7,11,  
14 98:4 109:10,14 110:8 111:23  
115:11 116:7 118:6

**modifications** 60:12 110:14 116:19

**modified** 82:9 98:9 104:6,7 109:5

**modify** 60:21

**moment** 16:10 94:25 114:8 119:1

**monitor** 11:13,14 12:7,9,13 13:4,8,14  
14:19 15:6 18:17 20:4 21:8 22:1 24:15  
36:6 43:25 64:15 125:6,19

**monitored** 125:11

**monitoring** 13:25 14:6,12 19:2,4  
20:13 28:18 29:3 38:16 66:13 89:22  
125:12 127:2

**Moore** 15:11 16:16 17:16,19 86:15,16

**Morgan** 7:5

**morning** 7:21

**mortgage** 7:22 10:25 11:7,15 12:2,3,  
4,17 13:5,14 15:8 18:6 20:21 21:9,19  
24:23 25:15 28:21 35:19,21 40:14,15,  
18 44:1 54:12,15,16 65:9 69:4 70:24,  
25 71:1 73:20 76:12 78:16,19 79:3  
83:19 97:24,25 101:4,11,14 102:9,11,  
18 103:6 104:1,5 105:3 106:16,20  
107:14 108:11,16 109:5,7,10 110:13  
114:15,18,19,21 117:19 120:24  
123:24 125:6,19 126:22

**mortgage-backed** 12:8,12 13:9  
102:6

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: mortgages..owner-occupancy

**mortgages** 110:3  
**move** 25:5 29:19 32:5,8,17 92:14  
**moving** 32:25  
**MSP** 65:4  
**municipalities** 41:10,12,18 43:17  
107:18,23

---

**N**

---

**NA** 7:6  
**named** 52:22  
**names** 15:22  
**narrow** 29:12  
**narrower** 99:4  
**National** 11:7,15 12:1,17 13:5,14  
18:6 20:21 21:9 24:23 28:21 35:19,21  
54:12 69:4 73:20 76:12 78:16,19 79:3  
97:24,25 101:4,11,14 102:9,11 103:6  
104:1,5 105:3 106:16,20 114:15,18,19  
117:19 125:6  
**nature** 21:21 22:5,16 58:21 67:15  
73:2 113:4  
**needed** 22:25 38:14 98:9 100:20  
120:16  
**negotiate** 66:6,12  
**negotiated** 27:24 28:12 38:15 66:7  
**Nikki** 124:22 127:15  
**NMS** 14:22 18:22 57:14,17 58:1 73:8  
81:5,9 113:1 115:2 126:2,15  
**noncompliance** 50:20,23,24 51:2,6,  
8 105:19  
**noninclusion** 83:14  
**nonparty** 31:19  
**nonprivileged** 31:24  
**North** 7:11 10:20 11:10 12:25 15:12  
**not-for-profit** 15:9  
**note** 40:17  
**noted** 42:15  
**notice** 110:19 117:20 118:1  
**noticed** 56:19  
**notified** 107:8,20 112:7

**notify** 70:4 75:7 107:17,23  
**notifying** 59:6  
**noting** 97:2  
**number** 7:3,9 17:1 26:3,4,6 27:6  
30:18 33:25 34:1 36:3 37:8 40:1  
41:22,25 45:5,14 46:1,3,13 48:21  
49:22 54:17 58:10 62:5,18 69:3 74:17,  
20 75:3,24 76:3 80:3,13,19 81:17  
82:13,22 84:10,25 85:6,25 87:23  
91:16 92:9,11,18 96:18,20 97:8  
100:16 101:15 102:20,23,24 107:25  
108:3,7 119:2,9

**numbers** 74:10

## O

**object** 30:7 31:1,7,13 32:10 34:15  
49:3 51:20 58:20 59:18 71:6 72:3,22  
74:14 77:22 83:6 88:4 91:2 95:7  
100:25 101:13 103:10 104:2,13 107:9,  
19 109:6 110:9,10 112:4,20 114:13  
115:24 117:22 121:7,18 123:6  
**objection** 20:10 23:25 24:5,18 25:1,  
3,7 29:6 30:22,23 31:1 33:4 35:2  
38:25 39:1 40:21 41:2,3 42:4,14 43:7  
44:14,22 46:21 51:3 52:7 53:10,11  
54:25 56:6 63:9 64:17 65:5,6,23 66:20  
67:7,23,24 68:7 69:6 70:8,13,20 76:25  
77:1 79:6,10 81:18,19 87:14 89:1,17,  
18 94:20 97:16,18 98:23 99:15 112:3  
119:15 125:9,22 128:1  
**objective** 117:8  
**obligation** 9:6 47:16,17  
**obligations** 102:18  
**observation** 85:9  
**obtain** 57:19 59:5 67:12 68:6 71:12,  
25 72:9 74:1 78:5,17 82:5 108:16  
112:18  
**obtained** 108:18  
**occupancy** 113:16,19  
**occupied** 41:1 114:4  
**occurred** 20:8 30:2 55:16  
**occurring** 44:12  
**October** 44:9 83:3  
**Ocwen** 11:16,22

**offer** 30:17  
**office** 9:18 10:25 15:8 20:16 43:25  
63:3,7 76:21 81:14 83:4,19,24 86:8,13  
87:1 104:16 111:1 119:20 120:2,23  
126:21  
**Offices** 15:6  
**OMSO** 15:13 16:15 17:19 18:1 24:12  
40:6,24 45:20 61:20,23 62:2 64:8 65:1  
66:17 67:2 77:20 87:16,17 88:6 93:20  
94:16 126:24  
**OMSO's** 124:21 125:2  
**ongoing** 13:17 126:13  
**open-ended** 51:11  
**operated** 22:7 49:22  
**operating** 25:19 52:19 91:18  
**operation** 25:16 65:10 88:11 125:4  
**operational** 88:12  
**operations** 88:13 121:25 122:1  
**opinion** 32:23 55:2  
**opportunity** 9:11 42:17 95:6  
**opposed** 32:4  
**option** 58:8  
**options** 54:14 82:4,5  
**order** 21:13 29:10,20 30:5 31:11,14,  
20 32:8,21 42:6,13,20,22 46:18 55:2,  
13 57:13 59:5,8 61:21 63:1 76:19,21  
78:5 91:11 94:16 98:25 100:9,17  
103:22 107:16 111:21 112:18 113:15  
116:10  
**orders** 33:9  
**organization** 27:12  
**original** 13:16 19:7 36:3 46:25 102:5  
**originally** 11:22 36:2  
**outlined** 27:25  
**output** 22:14,16,17  
**outstanding** 102:18  
**oversight** 10:25 15:9 125:25 126:1,  
12  
**owned** 114:1  
**owner** 114:2  
**owner-occupancy** 114:10,24,25

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: owner-occupied..present

115:22  
**owner-occupied** 109:17 114:2 115:4  
**ownership** 116:11  

---

**P**

---

**p.m.** 96:11,14 124:13,16 128:15,17,19  
**paid** 14:11,13,16 107:1  
**paragraph** 103:19  
**paralegal** 10:5  
**parameters** 112:18,21  
**paraphrasing** 97:12  
**Pardon** 97:18  
**part** 14:10 17:21 23:22 33:15 54:22  
72:14 79:2,25 109:3 119:11  
**participate** 20:16  
**participation** 102:10 104:12,18  
105:8  
**parties** 12:18 18:20 31:25 35:13 43:3  
55:8 117:14 126:8 128:6  
**partner** 10:23 16:3 18:2  
**Partners** 7:23  
**partnership** 17:25  
**parts** 23:10  
**party** 18:7 24:11  
**pass** 37:13,14 47:18  
**passed** 18:15 37:1,7,14 49:12,13  
90:7,8  
**past** 78:12,13  
**Patrick** 19:20  
**pattern** 50:20,21,23,24 51:8  
**pay** 14:10  
**paying** 118:22  
**payment** 60:16,22 109:11 116:8,9  
121:4  
**payments** 113:6  
**pays** 13:24  
**penalized** 105:5  
**people** 19:24 20:5,20 21:18,20 22:24  
64:1 86:20 88:2,6,10,12,24 91:19 92:1

93:25 105:12  
**percent** 47:21,23 90:25 93:16  
**percentage** 90:18 92:7  
**percentages** 91:11  
**perform** 22:12  
**performance** 21:1 28:3,4 35:23 37:9  
39:4  
**performed** 23:8  
**period** 16:20,23 18:8 20:3 83:23  
111:15 116:10 118:20 123:5  
**periods** 71:22,25 81:15  
**permissible** 37:10  
**permitted** 29:13 42:19 47:13  
**personally** 14:18 45:22 119:18 120:3  
**personnel** 88:13  
**perspectively** 39:24  
**phone** 30:8  
**Pistilli** 7:25 23:25 25:3 26:10,21,24  
29:5 30:6,22,25 31:5,10 32:2,7,19  
33:4 34:4,15 35:4 38:25 39:2 40:2,21  
41:3 42:3,16,25 43:6 44:22 45:9,12  
46:8,21 49:3 51:3,20 52:8 53:10 54:24  
55:14,18 56:6,23,25 57:3,6 58:20  
59:18 62:6,11,14 65:5,24 67:7,23 68:8  
69:6 70:9 71:6 72:3,22 74:14 77:1,22  
79:6,9 81:18,21 82:14 83:6 84:11,15,  
17 85:7,9,13 88:4 89:2,17 91:2 94:20  
95:7 96:21 97:1,5,16,18 98:22 99:23  
100:6,25 101:13 103:10 104:2,13  
107:9,19 109:6 110:9,11 112:4,20  
114:13 115:24 117:22 119:3,15 121:7,  
18 123:6 128:1,10  
**place** 18:6 111:3 112:1  
**Plaintiffs** 55:5  
**Plaintiffs'** 41:25 45:25 55:8 62:9,18  
76:2 80:19 81:17 82:21 96:18 99:7  
102:23 108:2,7 119:9  
**plan** 27:22,23 28:7,11,15,18,20 66:8  
111:9  
**plans** 28:9 36:13 66:6  
**pleaded** 55:22 99:3,9  
**point** 15:7 17:11 19:24 30:24 37:23  
39:18 42:3 54:8 65:15,17,22 94:6  
97:14 98:2,13,15 100:18

**policies** 65:7  
**policy** 49:11 66:1 87:6  
**pool** 48:25 53:9  
**pooled** 52:9,11,21 53:21 90:3 94:22  
**pooling** 102:6  
**pools** 52:16 65:4  
**population** 22:25 36:10,19 37:25  
38:19 39:19 45:21 48:6,14,18,20  
49:19 50:13,16 51:19 52:9,10,12,25  
53:20,21,22 65:3 83:20 91:16,17,21  
92:4,12,20,22,23,24 93:18 122:2,8,22,  
24 123:21,22 124:2,5  
**populations** 22:20 34:19 35:12,15  
52:18 53:13,16 89:20 90:2,3 93:1,16  
119:24 121:11 122:4,5 123:14  
**portfolio** 33:23 95:14  
**portfolios** 48:13  
**portion** 29:17 116:23  
**portions** 62:8  
**position** 8:25 30:2,23 31:7,18 32:3,  
16,20 43:5 96:24 97:2 100:6 102:8  
105:4 117:11  
**possession** 93:24 94:1,8,12 106:1,4,  
5  
**possibility** 67:22 118:10  
**potential** 47:10  
**potentially** 63:20  
**Poyner** 7:10 9:15 10:24 11:3,9 15:10  
16:16,19,25 17:20 18:1,11 86:13  
**PPF** 91:19  
**practice** 10:18 127:11  
**pre** 44:5  
**precise** 73:2  
**predicate** 70:22  
**premises** 115:15,19  
**preparation** 10:9  
**preparatory** 21:25  
**prepare** 10:8  
**prepared** 83:16  
**present** 9:4 21:21 64:8



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: presentation..recall

<b>presentation</b> 89:7	<b>proof</b> 110:16,24	
<b>presented</b> 61:25	<b>proofs</b> 25:24	<b>Q</b>
<b>presently</b> 126:1	<b>proper</b> 75:5,6 93:12	<b>qualified</b> 108:21 109:23
<b>preserve</b> 25:21	<b>properly</b> 48:2 67:19 92:3,4 94:22	<b>queries</b> 22:18 23:1,2 36:16 123:13
<b>president</b> 10:24	<b>properties</b> 40:8 41:1	<b>query</b> 53:17 123:12,19
<b>pretty</b> 49:15 71:15	<b>property</b> 58:23	<b>question</b> 9:1,9 24:3,21 27:21 29:11 35:3 43:11 48:15,16 51:22 59:23 62:6 63:10,13 68:1,10,20 70:14 72:21 80:24 82:14 84:11 90:23 91:22 96:5 100:17,23 101:2,8 123:11 127:4
<b>prevailed</b> 103:20 104:4	<b>proportionally</b> 92:11	<b>questioning</b> 29:21 31:2 32:11 42:5, 12,18 55:1,6,12,20 99:2,24
<b>previously</b> 12:7 19:3 27:16 66:24 70:18 73:25 84:1 96:25 100:16 106:7, 8 112:10 125:15 127:15	<b>prosecute</b> 128:6	<b>questions</b> 8:21 29:8,14 31:23 32:3, 18,21 36:17,21,23,24 87:13 124:10 128:10
<b>primarily</b> 101:16	<b>prosecution</b> 112:24 113:11 126:5,10 127:23	<b>quote/unquote</b> 64:9
<b>primary</b> 15:17,19 16:2,8,12,18,24 17:15 124:21 125:2 126:21,22	<b>Prosecutor</b> 80:15	<b>R</b>
<b>principal</b> 60:15 116:8,9,21,22 118:6	<b>prospectively</b> 35:14	<b>Raleigh</b> 7:11
<b>prior</b> 11:8,17 33:5 44:9 51:4 69:7 71:7 72:7,23 73:7,19 83:13 110:13 123:7	<b>Protection</b> 70:6	<b>ran</b> 116:14,16
<b>private</b> 127:11	<b>protocol</b> 39:24 74:4 91:18,24 105:7, 10,11 121:23	<b>random</b> 52:23 91:20 92:2,5,25
<b>privileged</b> 56:20	<b>protocols</b> 28:1 39:5 66:9,12 72:15 75:12 103:22 104:24,25 110:17 111:19 112:22 113:9	<b>randomization</b> 53:23
<b>problem</b> 35:1 84:18	<b>provide</b> 38:23 39:8 62:2 104:20 117:20	<b>randomized</b> 52:20,25 91:20,21
<b>Procedure</b> 98:18	<b>provided</b> 19:5 23:13 40:25 46:17 52:4 63:4,8 86:9 94:18 125:13	<b>rate</b> 37:10,12 47:12,13,21,22 49:1 50:3 51:15 52:5 53:4 64:14 93:15
<b>procedures</b> 49:11 65:8	<b>providing</b> 23:19 45:20 62:23,24 117:20 118:17	<b>raw</b> 93:21
<b>proceed</b> 57:5	<b>provision</b> 58:19 78:15 97:24 103:13 117:6 127:25	<b>RC</b> 68:3
<b>proceeded</b> 39:6,24	<b>provisions</b> 61:9,15 98:13 101:21 104:5 106:9 126:13,19	<b>RCB1</b> 40:9
<b>proceeding</b> 9:4	<b>public</b> 10:16 68:11,14,17 111:4 126:8	<b>RCD1</b> 60:8 69:23
<b>process</b> 12:19 21:24 22:4,11 23:21 27:11 37:16 44:13 57:9 59:3 60:24 61:3,6 87:5 92:15 94:17	<b>publicly</b> 48:11 112:24	<b>RCV1</b> 67:20 68:4
<b>processes</b> 23:6 55:16 100:3	<b>published</b> 68:12,13,14 94:11	<b>re-perform</b> 37:16
<b>produce</b> 28:10	<b>pulling</b> 52:15	<b>reach</b> 87:10
<b>produced</b> 9:17 84:21 96:23	<b>purchase</b> 99:19	<b>read</b> 30:17 98:12 102:24 128:2,4
<b>production</b> 9:15,19	<b>purpose</b> 20:24,25 23:9 77:4 83:11 109:1	<b>Reading</b> 82:25
<b>professional</b> 15:15,17 37:15 121:22	<b>pursuant</b> 9:16 54:3 64:3 100:4 101:5 103:7	<b>Real</b> 98:17
<b>professionals</b> 18:11	<b>pursuing</b> 100:8	<b>reason</b> 70:12 117:5
<b>proffer</b> 42:11 55:5 99:8,15	<b>put</b> 105:4 117:10	<b>reasonable</b> 32:15
<b>program</b> 19:11,12 30:1 59:1 78:18 80:22 81:2	<b>putting</b> 117:10	<b>reassert</b> 54:25
<b>programs</b> 21:19		<b>recall</b> 28:2,16 38:1 39:11,25 41:21 43:22 44:10 45:20,22 59:25 61:4,16
<b>project</b> 44:6		
<b>pronounce</b> 124:22		

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: receive..resolve

62:23 65:18 72:16 73:5 75:19,23  
78:10,12 79:7,8 80:2 83:18,22 86:6  
105:24,25 107:22 110:19  
**receive** 17:25 33:11 57:13 69:3,4,22  
73:16,17 76:9,14 79:13,15 93:20  
107:16 118:21  
**received** 9:14,24 12:23 53:9,12 69:24  
71:5 76:16 91:10 110:4,5 112:11  
**receiving** 43:14,20 89:12  
**recent** 11:5 13:16,18  
**RECESS** 30:14 56:14 96:12 124:14  
**recognize** 80:12  
**recognized** 108:10  
**recollection** 33:21 59:20 60:12 79:16  
85:3  
**recommended** 12:21  
**record** 7:19 8:16 22:14,15,19 30:11,  
13,16 31:18 33:1,3,12,15,16 53:19  
56:12,13,16 62:15 68:11 74:8,22  
76:22 84:19 90:19 96:11,14 97:2  
116:7 121:3,12 122:15 123:3,5  
124:13,16 128:17  
**records** 21:11,14 22:12 23:23 24:9,  
13,17,19,25 29:25 65:22 72:11,19  
75:12 91:1  
**Recovery** 29:25 33:17,19,21 34:13,  
18 35:12 37:24 38:18,23 39:5,9,19,22  
40:25 45:2,21 46:15 48:8,25 53:7  
65:4,21 69:24 70:3,7 71:4 72:12 83:2,  
20 84:3 123:4,10  
**reduce** 116:8,9,11  
**reduced** 60:15 113:7  
**reductions** 116:20  
**refer** 76:11 77:7 79:22  
**reference** 74:8 75:11  
**referencing** 16:21  
**referral** 18:4  
**referred** 98:19 101:20 103:19  
**referring** 27:8 35:18  
**refers** 34:11 45:17 86:4  
**reflect** 66:15  
**refresh** 85:2

**Reg** 98:17 100:14,16,21  
**regard** 11:16 36:18,22 61:24 65:9  
74:7 93:13 115:11 121:10  
**regular** 87:4  
**Regulation** 61:17,22 62:3 63:1  
100:18  
**regulations** 101:9,10,20 105:15,16  
**regulators** 70:5  
**regulatory** 64:16  
**related** 79:4 122:19  
**relates** 46:23 78:11  
**relating** 12:7 101:16  
**relation** 21:8 88:24  
**relationship** 21:23  
**release** 39:21 41:10 44:6,19 54:9,22  
55:15 57:25 58:5,12,13,14,17 59:7,17  
60:11,14 61:21 62:25 71:13,14 73:9  
79:25 83:5,9,10 100:20 107:14  
**released** 39:13 44:9 56:5 57:24 58:23  
59:21 67:21 68:4 71:4,12 72:7 73:19  
74:1 77:6,19 84:7 97:13  
**releases** 30:2 40:17 41:20 42:23  
43:1,24 44:12 55:19 72:9 79:13 100:2  
107:7,8 110:4,23 119:23  
**releasing** 40:7 55:25 59:5 82:6  
119:12 120:3,13  
**relevance** 29:15 42:8,18 43:2 55:6,9,  
21 99:2  
**relevant** 29:16 30:3 31:22 99:4,9  
**relied** 94:18  
**relief** 23:10 43:8 54:5,10,13,21,22  
55:17 57:16,23,24 58:1,5 59:9,12,14,  
15,21 60:21 61:24,25 67:15,16,18  
68:13,16,24 69:13,14,20,22 71:5,19,  
21 72:1,9 75:4 77:9 78:1,2,6,11,13,14,  
17,18,22 79:1,5,23 80:1,22 81:2 89:22  
91:5,8 92:14,16,17,18,20,21,22 93:3,  
4,9,14 95:10,12,13,22 98:16 99:12  
106:10,15 107:17 108:17,18,20,21,23  
109:2,9,16,20,21,23 111:8,11,22  
113:3 115:2,10 117:8,20,24 121:9  
126:15,18  
**relieve** 44:2  
**rely** 23:18 74:23

**remained** 59:24  
**remediation** 47:10,16,25 48:5,7,10,  
17 50:6,15  
**remember** 13:11 14:17 15:3 19:13,17  
20:7 23:3 28:8 34:22 39:17,22 43:14,  
19 58:3,18 60:3 65:8 73:11 74:25  
80:16 106:24 110:25 113:24 125:3,4,5  
**renew** 42:4 98:23 99:16  
**repay** 117:11  
**repayment** 117:10  
**rephrase** 9:9  
**report** 25:20 33:12 37:20,21 68:13  
**reported** 37:24 68:21  
**reporter** 7:16 8:5 9:19  
**reports** 23:4 48:12 52:23 68:15 94:11  
**represent** 7:20,22 8:3 31:12  
**representation** 16:19 19:9 27:10,16  
**representatives** 14:7 19:6,8 22:9  
88:1,19  
**request** 12:24 108:11,16 118:4,6  
123:25  
**require** 14:3 50:18 60:1 61:20,23 67:2  
75:1,15,16 104:20 105:3 110:24  
**required** 25:11 33:8 48:4,5 49:14,16  
50:12,15 57:15,16 58:6,17,22 60:4,20  
78:6 83:19 98:1,2,11,14 102:9,11  
103:20,21 107:4,21,22 110:16,19  
111:6,16 114:11,23 115:21,23 121:5  
**requirement** 57:12 59:11 74:12  
76:21 114:25  
**requirements** 28:21,24 29:1 67:11  
78:6 93:7,8 97:13 101:22,23 102:14,  
15,17 103:14,18 104:21 105:14,18  
106:12 107:6  
**requiring** 81:14  
**reserve** 32:12 43:7 56:7 99:11 100:10  
**RESERVED** 128:18  
**residence** 115:6  
**resident** 115:14  
**residential** 12:8,12 13:9 125:19  
**Resolution** 7:5,22 40:18  
**resolve** 34:25

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: respect..serving

<b>respect</b> 103:12	<b>Ruth</b> 10:5	<b>seeking</b> 55:17 78:9
<b>respond</b> 10:2		<b>seldom</b> 116:15,16
<b>response</b> 29:22 35:9 43:21 85:12 99:16 100:21 106:10 123:20	<b>S</b>	<b>selected</b> 52:24 95:15 122:8,25
<b>responsible</b> 24:16,24 51:1 52:15	<b>S&amp;a</b> 7:23	<b>selling</b> 102:6
<b>restate</b> 24:2 49:6	<b>S-V-O-B-O-D-A</b> 10:6	<b>send</b> 59:17
<b>result</b> 18:1 68:21	<b>safe</b> 128:13	<b>sending</b> 59:4
<b>results</b> 37:7,22	<b>safeguards</b> 111:25	<b>senior</b> 16:10
<b>retained</b> 15:7 18:7,17,23	<b>sale</b> 54:17 58:15,18,22 69:12,13 117:25	<b>sense</b> 119:25
<b>retention</b> 18:20	<b>sales</b> 40:18 92:23	<b>separate</b> 11:1 27:17 52:10 90:14 93:1
<b>returned</b> 93:17	<b>sample</b> 36:20 48:1,19 50:7,19 52:3,5, 11,16,23 53:1,2,3,9,22 91:10,14,15, 17,20,21 92:5,25 94:22 95:16 121:11 122:7,13 123:1	<b>separately</b> 47:18 52:12
<b>review</b> 10:8 21:10,13 22:5,14,17,18 24:9,12,24 25:6,12,22,23 26:9,20 27:3 33:2 37:4 46:9 62:19 72:13 73:13 80:7 81:8,9 84:24 88:10 94:13,14 96:19 108:2,6 109:12 119:7 120:24 121:2	<b>sampled</b> 90:18	<b>September</b> 83:21
<b>reviewed</b> 14:4,6 27:5 33:16 49:18 52:19,20 53:2,14 59:8 62:21 76:2,23 80:17 82:21 85:22 90:12 94:10,13 97:8 105:11 119:21	<b>samples</b> 52:17,20,21 90:17 92:2 94:18 121:16,19 123:15	<b>sequence</b> 67:10
<b>reviewing</b> 24:16 25:2 28:3,5 56:19	<b>sampling</b> 49:17 92:15 95:4	<b>series</b> 36:16,21 104:23 121:23
<b>REVIEWS</b> 27:4 34:9 40:4 43:9 45:15 46:11 62:20 80:10 82:19 84:22 86:2 97:6 103:2 108:5	<b>sanctions</b> 51:13 56:8	<b>serve</b> 11:12
<b>revised</b> 39:5	<b>satisfactory</b> 53:1	<b>served</b> 16:14
<b>Richard</b> 19:22	<b>satisfied</b> 91:25 92:1	<b>service</b> 49:13 104:11,17 105:8
<b>rights</b> 32:12 43:7 56:7 99:11 100:10	<b>satisfy</b> 22:24	<b>serviced</b> 70:7,15,19 114:2
<b>RMBS</b> 14:23,25 18:17 20:14 21:9 53:25 54:3,11 57:13,17 69:5 73:8 78:16 79:3,12 81:5,7,25 82:3 101:5 102:3 112:19 115:2 116:25 127:1	<b>schedule</b> 47:15 78:8 111:7	<b>servicer</b> 20:17 21:16,17 25:14 28:13 36:25 47:12 48:3,11 49:17,22 50:2,10, 12,22 51:1 54:8 57:19 58:7 62:24 65:10 66:14 71:12 73:12,25 74:5 75:7, 13 78:5,17 87:1 88:1,13 89:15 90:10 93:20 102:10 105:4 108:19 109:15 114:1,2 117:18 121:25 122:9,16 123:18
<b>role</b> 64:15,18	<b>SCHNEIDER</b> 95:1	<b>servicer's</b> 28:4 74:22
<b>rooms</b> 94:10,14	<b>School</b> 10:17	<b>servicer-type</b> 93:25
<b>Rosemary</b> 125:16	<b>schools</b> 10:16	<b>servicers</b> 13:3 14:5 20:18 21:2,5 22:23 23:19 25:11,14 36:1 37:21 38:16 58:11 61:14,21,23,24 64:8,13 66:2,6,8 67:2,5 68:14,15 72:14,17,18, 25 73:3,9,19 75:15 86:20 87:3,6,12 89:13 90:5 93:19 94:15 100:19 102:19 103:8 104:19 105:12 107:24 110:18 115:4 116:15 117:5,15 121:13 122:1
<b>roughly</b> 113:2	<b>scope</b> 42:19 64:24	<b>servicers'</b> 24:16,25 88:20
<b>RS</b> 15:23	<b>scoring</b> 71:16	<b>services</b> 15:15,17
<b>RSM</b> 15:24	<b>Scott</b> 17:10	<b>servicing</b> 7:5,23,24 11:16 21:19 23:11 25:16 33:23 35:22 36:1,6 37:3 38:6 40:19 51:6,7,9 53:8 65:10 66:18, 23 70:22,23 102:12 106:19,21,22 114:11,15,22,23 121:6
<b>rubric</b> 114:5	<b>scripts</b> 111:9	<b>serving</b> 18:12
<b>rubrics</b> 111:21	<b>scrub</b> 67:3	
<b>rule</b> 47:23	<b>search</b> 10:1	
<b>rules</b> 21:1 31:8 98:21	<b>secondarily</b> 100:1	
	<b>secondary</b> 37:15	
	<b>Section</b> 78:1	
	<b>securities</b> 12:8,12 102:7	
	<b>security</b> 13:9 125:20	
	<b>seek</b> 32:12 43:7 56:7 99:11	

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: set..substances

**set** 66:12 94:14 102:12 108:22 111:19  
112:21 113:9

**settle** 23:13 24:23

**settled** 101:15 102:16,17,19

**settlement** 10:25 11:7,15 12:2,6,9,17  
13:5,10,12,14 14:2,3,25 15:4,8 16:23  
17:22,23 18:6,8,18,20 19:5 20:3,14,21  
21:3,4,9 22:1 23:9 24:24 27:24 28:21  
35:20,21 39:4 40:13 44:1 48:1 50:18  
51:5 53:25 54:3,11,13 57:14,17 64:5  
69:4,5 70:25 71:25 72:8 73:20 76:12,  
19 78:16,19 79:3,4 81:5,6,7,8,25 82:3,  
8 83:19 87:20 93:7 97:25 98:1,14,18,  
21 101:4,5,12,15,21,22 102:4,9,11  
103:7,15,18 104:1,5,23 105:3 106:9,  
16,20 108:19,22,24,25 111:12 112:19  
114:15,19 115:2 116:13,25 117:19  
120:21,24 122:10 125:7,17,20 126:7,  
10 127:1,20

**settlement's** 103:16 126:22

**settlements** 11:12,24 12:4,14 14:1,  
19,23 21:10 24:15 44:13 47:11 57:18  
64:3 67:13 68:6 69:16 73:9 79:12  
88:25 100:4 106:6 112:12 117:9

**Severance** 7:14

**short** 54:17 58:15,18,22 69:10,11,12  
92:10,23 98:6 117:25

**show** 26:2 34:2 41:24 45:4,24 46:4,5  
96:17 102:22 105:6 111:10 120:17

**showed** 108:20 109:22

**showing** 33:24 111:7

**shown** 84:19 124:5

**SIGNATURE** 128:18

**significant** 22:6 23:4 71:14 95:16

**similar** 58:3 72:12 76:13 85:16 92:15

**simply** 115:9

**single** 29:11 65:15,17,22 93:21 94:1  
97:13 98:2,13,14

**sir** 8:18 10:14 26:14 34:8 43:13 44:18  
46:7 63:11 80:5,9 85:20 88:7 97:11  
103:1 108:4 119:1,4,10 127:6

**site** 126:9

**sitting** 112:7

**situation** 60:1 62:24 73:14 114:10

**situations** 60:19

**size** 91:10,14,15

**small** 71:17 78:14

**smaller** 13:19

**Smith** 7:4 8:3,10,15,17,20 9:14 15:11  
16:16 17:16,19 24:8 26:2,17 27:5  
33:1,24 39:8,12 41:24 44:5 47:9 55:20  
57:8 62:17,21 64:2 76:2 80:12 82:21  
84:24 86:1,4,15,16 87:15,17 88:6  
96:17 97:8 102:22 108:6 119:6 124:20  
127:2 128:16

**so-called** 49:11

**software** 52:21

**sold** 40:17 118:13

**sort** 22:4 27:14,16 31:25 88:22,23  
106:17

**sorts** 87:13

**sought** 67:16 68:11,16 77:5 104:24  
108:24 109:2,21 111:22

**source** 68:18

**Southern** 7:7,8

**SPAS** 101:6

**speaking** 63:7

**specialist** 7:16

**specific** 41:14 44:16 51:13 64:19  
77:8 91:4 94:9 95:9

**specifics** 73:5,11

**speculate** 77:3,8 118:23

**speculation** 49:4

**spell** 16:5

**SPF** 91:19

**SPF's** 37:18

**SPOC** 98:13

**spoke** 90:17 120:23

**spoken** 63:20

**Spruill** 7:10 9:16 10:24 11:4,9 15:10  
16:16,19,25 17:20 18:1,11 86:13

**standard** 51:9 106:19 114:22,23

**standards** 23:11 35:22,23 36:2,6  
37:3 38:6 51:7 53:8 66:18,23 70:23  
102:12 106:21,22 114:11,16

**standing** 30:23,25

**stands** 42:24 56:7

**start** 13:4,8 20:2 38:4 77:18 114:18  
117:19

**started** 36:15

**starting** 73:8

**state** 8:15 14:7 19:18,25 29:17 31:17  
63:6 99:18 101:18

**stated** 33:1 57:11 70:18 99:20 100:7  
112:10 128:6

**statement** 9:11 97:11

**states** 7:6,7 11:24,25 12:10,11 19:9  
38:11 82:24 97:11 103:6

**statistical** 91:23

**statistically** 36:19 91:20 92:25  
122:7,12 123:1,15

**stay** 55:11 99:5,11

**stayed** 56:2 102:15 126:10

**Stein** 17:10,12,14,15 63:21

**step** 36:19

**steps** 74:20 111:10

**Steven** 8:2

**Street** 7:11 9:18

**strike** 32:5,8,17

**strings** 15:22

**structure** 72:16

**studied** 31:20,21

**stuff** 92:1

**Subchapter** 127:3

**subject** 39:14 40:8 53:8 55:11 69:19  
73:10 84:8 99:5,10 101:5 120:21

**subjected** 36:21

**subjects** 42:9

**submission** 25:23 37:4

**submit** 92:21

**subpoena** 9:16,24 10:2

**subsequent** 14:21

**subsequently** 74:1

**subsidiary** 15:18

**substances** 100:15

MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: substantial..types

**substantial** 58:10  
**subsumed** 101:11  
**subtest** 37:18  
**sufficient** 113:7  
**suggests** 35:10  
**Suite** 7:11  
**Suntrust** 11:17  
**supervising** 125:7,20  
**suppose** 119:25  
**supposed** 27:17 89:6 108:15  
**surprise** 34:21 120:12  
**surprised** 34:22 73:18,21  
**Svoboda** 63:22,23,24  
**Svoboda** 10:6 17:6  
**swear** 8:5  
**sworn** 8:6,11  
**system** 21:11,14 22:7,8,12 24:12,16, 25 29:25 33:12,16 60:8 65:21 69:24 70:3 71:4,16 72:11,19 73:1 74:8,22 91:1 94:15 122:15 123:3,5,9,13,18,19, 20,25  
**systems** 21:22,23,24 22:3,6,13,14,19 23:22 24:9 32:25 33:2,15,22 49:22,24 66:16 72:13 73:2 76:22 89:24 90:19 121:3,12 123:10

## T

**talking** 10:3 59:14 66:19 81:3,4 91:4, 7 95:10 98:20 109:9,24 114:14 118:3  
**talks** 76:18 119:11  
**Tantillo** 7:21,22 8:9,14 16:22 17:4,13 20:12 24:1,7,22 25:4 26:1,5,8,11,14, 16,23 27:1 29:22 30:21 31:4 32:2,15, 22,24 33:14 34:2,6,8,10,20 35:5 39:7 40:3,5,23 41:8,23 42:2,14,21 43:5,12 44:17 45:1,6,11,13,16 46:4,7,12 47:8 50:17 51:14,23 52:14 53:24 55:14,23 56:9,18 57:1,4,7 58:24 60:6 62:10,13, 16 63:11,18 64:21 65:11 66:3 67:1,9 68:2 69:1,18 70:11,17 71:2,23 72:6 73:6 74:16 76:1,6,7 77:10 78:4 79:11 80:5,8 81:1 82:2,17,20 83:17 84:14,23 85:8,11,19,21 86:18 87:17,24 88:7,17 89:10 90:16,24 91:6 94:25 95:3,11

96:2,16,24 97:7,22 99:14 100:1,13 101:3 102:1,21 103:1,5,24 104:8,15 107:12 108:1 110:1,21 112:9 113:14 114:8,9,17 116:3 118:9 119:4,5,19 120:8,11 121:14 122:17 124:3,7,18,19 125:18 126:3 128:9  
**Tape** 7:3  
**taxes** 121:4  
**tech** 88:14  
**technical** 22:23 88:14,15,16  
**technology** 21:20  
**telling** 51:2  
**tells** 9:2 50:22  
**template** 66:8  
**ten** 38:11  
**Tender** 128:9  
**term** 64:4,6 106:23  
**terms** 18:9 21:4 39:19 44:1 47:25 52:3 60:21 76:20,23 91:9,11 103:16 109:11 111:21 115:10  
**test** 36:11,17 37:1,12 47:19,22 92:4 95:18,20,24 111:9 123:15  
**tested** 36:2 48:18 53:3 66:1 93:2  
**testified** 8:12 84:2  
**testifying** 9:5,7  
**testimony** 9:24 10:12 32:5 33:5 51:4 69:7 71:7 72:23 123:7 125:15  
**testing** 23:8,12 34:19 35:19,24 36:7,8 38:14,19 39:10,15,20,23 40:10 46:19 47:6 49:10,16 50:19 52:12 53:3,23 66:23 73:10 83:15,25 84:3,8 85:4 87:13 90:8 91:5,7,9,12 92:5 94:23 95:23 106:11 107:3 119:25 120:4  
**tests** 22:12 35:25 37:3,8,22 49:23 122:11  
**Texas** 19:23  
**theoretically** 117:15 125:16  
**theory** 71:3  
**thing** 53:20 58:2 93:11  
**things** 17:24 23:5 54:14,19,20 75:3 76:18 100:3 116:14 121:5  
**thinking** 85:15

**third-party** 15:5 22:9 65:19 86:20 93:25  
**Thornton** 16:11 86:21 87:11  
**Thorton** 15:20 16:9 34:12,13,17  
**Thorton's** 34:24  
**thought** 79:16  
**thousands** 110:2  
**threshold** 49:1 50:3 51:15 52:5 53:4 64:14  
**Tilly** 15:21  
**time** 13:15,16 16:21 26:19 29:11 30:12,15 36:4 37:23 38:23 39:9,18 42:10 54:8,24 56:11,15 60:16 61:13 67:21 68:19 70:4 71:22,24 76:14,15 81:15 83:23 93:5 94:6 96:10,13 100:8, 18 105:15 111:15 115:16 118:21 123:5 124:12,15 128:14  
**times** 13:18 60:20 109:17,18  
**title** 105:22  
**today** 7:16 9:24 10:11 31:18,23 115:8  
**told** 39:16  
**toll** 103:15  
**tool** 52:21  
**tort** 55:8  
**total** 13:13 48:20,21 91:16 93:15  
**totality** 48:4  
**touches** 29:12  
**Treasury** 101:6,10  
**trip** 128:13  
**trips** 38:11  
**trustee** 19:11,12  
**truth** 8:11 9:6  
**truthfully** 9:2  
**tuned** 66:14  
**turn** 26:17 53:25 64:22 93:16 106:7  
**turns** 127:17  
**two-fold** 99:16  
**type** 23:2 28:6 75:20 76:8 92:15 105:7 114:11  
**types** 23:7 76:13 108:13,17 121:4



MORTGAGE RESOLUTION SERVICING vs JPMORGAN CHASE  
SMITH, JOSEPH on 02/09/2017

Index: Uh-huh..York

<b>U</b>	<b>violate</b> 32:7,21 52:2	<b>written</b> 105:10,11
<b>Uh-huh</b> 42:1 45:19 52:1 54:1	<b>violated</b> 52:4 95:5	<b>Y</b>
<b>ultimately</b> 11:19 49:9	<b>violates</b> 42:5 55:2	<b>year</b> 13:18,20 14:20,21 15:4 18:12,14
<b>unacceptable</b> 32:9	<b>violation</b> 31:14 42:12 47:10 55:13 64:3,9,10 98:24 100:9 127:22	<b>years</b> 8:19 13:21 14:21 18:8
<b>undergo</b> 67:2	<b>violations</b> 38:24 99:18 102:16	<b>yellow</b> 62:7,12 82:15 84:12,17 96:22
<b>understand</b> 9:8,12 24:21 32:19 33:19 51:21,22 67:25 89:11 101:8	<b>Virginia</b> 10:16,17	<b>York</b> 7:8 10:20
<b>understanding</b> 9:21 27:10 31:9 97:15 119:22,23	<b>VLS</b> 65:4	
<b>understood</b> 89:6 92:6	<b>Volume</b> 7:3	
<b>uniform</b> 21:1	<b>W</b>	
<b>United</b> 7:6,7 11:24 12:10	<b>wait</b> 80:23	
<b>University</b> 10:17	<b>waiting</b> 95:1	
<b>USA</b> 15:18	<b>waived</b> 105:20	
<b>V</b>	<b>waiver</b> 60:1	
<b>valid</b> 36:20 71:11 77:17 91:20 92:25 122:7,13 123:1,15	<b>walk</b> 22:4	
<b>validate</b> 59:8	<b>Wall</b> 9:18	
<b>validating</b> 28:5	<b>wanted</b> 56:22 109:4,5	
<b>validation</b> 54:7 57:9 62:1 68:20 82:1 87:4 90:14	<b>ways</b> 62:3	
<b>validations</b> 76:20 81:15	<b>web</b> 126:9	
<b>varied</b> 13:15 37:11 52:22 109:14 115:19	<b>Wedding</b> 16:11	
<b>varies</b> 75:22	<b>weekly</b> 20:2	
<b>variety</b> 54:14 58:4 67:17	<b>Wells</b> 11:21	
<b>vary</b> 58:21 73:3 118:8	<b>West</b> 10:16	
<b>vendors</b> 65:19	<b>Wick</b> 57:2	
<b>verified</b> 113:17,19	<b>widespread</b> 47:19,24 48:3,19 50:2,4, 12	
<b>verify</b> 23:22	<b>William</b> 16:25	
<b>version</b> 84:20 96:23	<b>word</b> 25:2 73:22 125:11	
<b>versus</b> 7:5 17:19	<b>words</b> 52:24 104:4 116:22	
<b>video</b> 7:15	<b>work</b> 10:22 11:8,19 15:4 18:22 21:2, 25 27:13,22,23 28:2,5,6,8,11,15,18,20 36:8,13 37:18 66:5,6,8 68:20 104:24 111:9 125:8,21	
<b>view</b> 31:18	<b>worked</b> 11:3 27:9,11 61:11 104:23	
<b>viewed</b> 18:19	<b>working</b> 24:11	
<b>vigor</b> 98:23	<b>Worldwide</b> 15:19	
	<b>write</b> 58:12	